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COMMONWEALTH**

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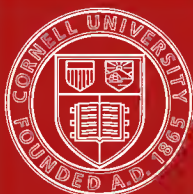
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# THE SOCIAL COMMONWEALTH





# THE SOCIAL COMMONWEALTH

(A PLAN FOR ACHIEVING INDUSTRIAL DEMOCRACY)

By

BERNARD A. ROSENBLATT

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DEDICATED TO  
LOUIS D. BRANDEIS  
A LEADER OF THE PEOPLE  
IN THE  
BATTLE FOR SOCIAL JUSTICE.



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## PREFACE

The inductive method is now such an important factor in all scientific work that it has become fashionable to regard with contempt any discussion in economics and politics that is not based on elaborate statistics and the citation of numerous individual cases. The author yields to no one in his high regard for the valuable work of painstaking scholars, who have given us important scientific laws, based upon many years of research work in the laboratory. And yet, our point of view has been perverted by an exclusive adherence to the forms of inductive reasoning—we have so accustomed ourselves to scrutinize the individual trees that we lose ourselves in a dense forest of economic and political life. Without disregarding the inductive method, this book is an attempt to free our minds from a citation of instances until the *general* principles are obscured in a maze of figures and “repeated observations.”

We are concerned here with basic considerations, with fundamental analyses, and not with extended arguments and long-drawn-out “proofs” for theories that another inductive scholar will tear to shreds within a decade. We are told that the great jurist, Chief Justice John Marshall, would often deliver the most momentous decisions, relying solely on logic and the *general* principles of law for the support of his judgments, with the remark that “Mr. Justice . . . . . will furnish the citation of cases and precedents.” It is time that we inject in our discussions in political science some of the spirit of the “Expounder of the American Constitution.” We can leave to others, and perhaps to persons better qualified for that purpose, a careful pres-

entation of all facts necessary to the full scientific justification of *all* the conclusions reached in this treatise. Let us be satisfied with having awakened sufficient interest to make these conclusions the subject of practical political discussion, and we may be sure that enough scholars will be found to agree with our views and to expound the philosophy of our "Industrial Democracy."

The author will be fully compensated for his labor if this book will enable us to adopt a *new point of view* in economic problems—a new *method* for achieving "social justice." For, after all, the point of view and the method are of primary importance, while suggestions for isolated reforms are secondary, in any comprehensive program for social readjustment.

Let this small volume be viewed, therefore, as the presentation of a method for achieving industrial liberty step by step, even as society prepares itself for each ascent on the ladder of progress. Without endorsing any pet theories, or tacitly accepting any brand of political philosophy, we shall endeavor to fix the true relation between competition and co-operation in economic life, and to show how far, and in what manner, both of these forces can be made to serve in the creation of the Social Commonwealth. We shall define a *Social Commonwealth* as a group in which the individual is assured of the necessities of life and the community is enabled to secure an economic surplus that may be utilized for social progress and a better communal life.

I take full responsibility for the views herein presented as well as for the method of treatment. And yet, I feel that a few words of grateful acknowledgment are due my faithful friends who have inspired what may be of value in my work and aided me in the



difficult task of criticism. First and foremost, my respected teacher in Social Science, Professor Franklin H. Giddings of Columbia University, deserves particular mention, for he has strengthened my opposition to social injustice, and has filled me with a desire for handling fundamentals, rather than details, principles rather than individual cases. To Professors Henry R. Seager, Samuel McCune Lindsay, Joel E. Spingarn and Dr. E. Stagg Whitin, I owe many thanks for suggestions based upon the reading of large portions of the manuscript. Finally, I owe more than words can express to my friend, Max J. Herzberg, of the Department of English of the Newark High School, and to my brother, William Rosenblatt, for numerous suggestions, and the painstaking reading of proofs.

BERNARD A. ROSENBLATT.

New York City, January 5th, 1914.



PART I.

THE LABOR COMMONWEALTH

(A PLAN FOR INSURANCE AGAINST UNEMPLOYMENT)



## CHAPTER I.

### . FREE LAND AND FREE LABOR.

Students of Economics assure us that we have an immense country capable of supporting many times the inhabitants of present-day America. Visitors from Europe marvel at the large tracts of undeveloped agricultural soil, and are amazed that Americans, who are deemed the most progressive of nations, allow fertile lands, in the West and South, yes, even in the East, at the very threshold of our large cities, to remain idle or only partially developed by old-fashioned methods.

This country has opportunities for industrial expansion and promotion of the material welfare of its inhabitants unequalled by any other nation on earth. We are the heirs to an estate of incalculable value, and we would prove unfaithful to our trust if we should permit fertile lands (like the rich agricultural soil of the Mississippi Valley) to lie unused, while poverty oppresses our countrymen and unemployment strikes terror into the hearts of our wage-earners.

The truth is that in the West and South and in some portions of the East we have a land without a people, while in the congested cities of our sea-coast we have a people without a land. If we could but unite the two—bring the “jobless” man to mother earth and let him earn his living by the sweat of his brow—we would automatically solve the problem of unemployment.

In the early period of American history, the unemployed, by moving to the unexplored fields of the West, constituted themselves into small self-sufficient economic units—and, thereby, effectively regulated the labor market. Our manufacturing establishments and

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our commercial enterprises before 1880 had to compete with the open fields of the West in securing their supply of labor. As a result, this free land not only solved the problem of the unemployed, but also secured the establishment of a relatively high standard of living and the "American wage" corresponding thereto. The free lands of the West automatically fixed a rough minimum wage for labor by placing a limit below which the wage-earner would prefer to work as a squatter or free-settler in the unoccupied country of the West.

But we are now rapidly appropriating all the available lands, and we will soon be face to face with the problem not only of unemployment but also of a "living wage" for the laborer. Can we find an adequate substitute to-day to take the place of the free lands of the West for the solution of the problem of unemployment and a minimum wage? Unless we discover such an effective method in the near future, we shall have to face a condition which is the breeder of revolutions and atrocities—when able-bodied and willing workers would be starving because of the lack of opportunities for work.

It is not our purpose here to enter into a discussion of the extent of unemployment. It is sufficient for us to grasp this important fact: on the one hand, we have many thousands of honest and loyal citizens ready and willing to work, but deprived of the opportunity of earning their living because they have no control over the land or machinery necessary for production; while, on the other hand, fields capable of producing a large food supply and capital (in the form of machinery and tools) lie unused because it is "unprofitable" to work them.

The investigations of Charles Booth among the poor of London show that about 30% of the population are constantly in poverty, i. e., in a condition in which they do not earn sufficient for the maintenance of physical well-being. Rowntree, after a careful study of the conditions in York, England, estimates the proportion of those in poverty as 27.84%—somewhat less than the London average. He concludes that “we are face to face with the startling probability that from 25% to 30% of the town population of the United Kingdom are living in poverty.” Robert Hunter, in “Poverty,” states: “And yet from the facts of distress, as given, and from opinions formed, both as charity agent and as settlement worker, I should not be at all surprised if the number of those in poverty in New York, as well as in other large cities and industrial centres, rarely fell below 25% of all the people.” The same writer offers a vivid picture which connects the problem of poverty with the danger underlying our whole competitive system—the problem of unemployment. In “Poverty” (on page 295), he says:

“The tragedy which results from this surplus of labor was strikingly shown in the work of a sculptor, exhibited at the World’s Fair in Chicago. It is the custom in some places, in England for instance, for the foremen of the great factories to go out in the morning to the gate where the workmen, seeking employment, are gathered, and to throw out tickets to the number of employees needed. The group represents an intense struggle to obtain one of these tickets. The man fortunate enough to get it is the central figure. He holds it high above his head, resistant, but looks with compassion upon the struggling ones about him. A withered old man clings to him, begging for the ticket; a

youth behind is plotting to seize it; a woman with babe in arms, trampled under the feet of the others, strives to protect the child; a tiny lad, with a wolfish hunger in his face, endeavors to clamber up on others in the hope of seizing the ticket. Let him, who will, go about the factory districts of the country and see this thing enacted in real life, not so obviously dramatical but with agony that is actual."

Many economists agree with Charles Booth that "our modern system of industry will not work without some unemployed margin, some reserve of labor," and another economist has declared that "for long periods of time large stagnant pools of adult effective labor power must lie rotting in the bodies of their owners, unable to become productive of any form of wealth, because they cannot get access to the material of production," and "facing them in equal idleness are unemployed or under-employed masses of land and capital, mills, mines, etc., which taken in conjunction with labor power, are theoretically competent to produce wealth for the satisfaction of human wants." John Hobson delivers this strong plea for the unemployed: "Modern life has no more tragical figure than the gaunt, hungry laborer wandering about the crowded centres of industry and wealth, begging in vain for permission to share in that industry, and to contribute to that wealth; asking in return not the comforts and luxuries of civilized life, but the rough food and shelter for himself and family, which would be practically secured to him in the rudest form of savage society." Is our competitive system of industry inseparable from a condition of degrading unemployment coupled with the waste of natural resources, which, if utilized, might eliminate unemployment and solve the problem of poverty?



The ancient Hebrews had one peculiar institution which might serve as a valuable lesson for us to-day. The old tribal feeling was so strong among them that the murder of a kinsman had to be avenged by his comrades, even though the dead man might have been killed accidentally. In order to mitigate the hardships of this tribal custom—common to many and diverse peoples—"cities of refuge" were provided by Hebraic Law to which any man who was free from the taint of criminal wrong-doing might flee for safety, and escape the revenge of the victim's kinsmen. The men charged with homicide, but guiltless of any murderous intentions, would remain as "voluntary prisoners" in these cities of refuge.

To-day, we discard annually thousands of men from the fields of industry and labor, and cast them into the slums reserved for the so-called "unfit." Is it possible for us to construct new "Cities of Refuge" for those thousands of honest workers who do not find a place in our cumbersome economic system? Industry has often taken from these men their vitality and earning power, as their contribution to the world's progress, before they were assigned to the scrap-heap of civilization. Can we offer them some haven of safety where they may earn at least sufficient to support life? Can our industrial system offer them new cities of refuge where the harsh competitive system cannot overtake them—where they will not be forced to pay the penalty of poverty for the crime of unemployment?

In the olden days, religion stepped in and saved the innocent from the barbarism of tribal life. To-day, conditions demand that we create some institution, whether religious, political or economic, to protect the guiltless from the ravages of a harsh competitive sys-

tem of industry. We need such an institution not so much for the unfortunates who have been rejected by modern industry. Their lives are hard, but conditions tend to make that life short, and they pass rapidly from the world stage. It is not to the charitable feelings of mankind that we ought to appeal for the relief of those who have been crippled in the merciless industrial battle, for they have earned their rewards as honestly as pensioned veterans of old wars. It is not, primarily, for the sake of the unemployed that we should create an institution which would eliminate unemployment. But we find that their condition is bound up with the welfare of a large mass of human beings, that their sufferings tend to force down the standard of living of all and pull down the level of the whole economic struggle for existence, then, indeed, the problem of the unemployed becomes *the* problem of our whole civilization.

Just so long as we have a large class of men who are forced into the ranks of the unemployed, without the opportunity of earning a decent livelihood, so long will they act as a handicap on our industrial system. Having been dismissed from the regular industrial army, they become the scum of the labor market, accepting the lowest wages sufficient to hold body and soul together. *By their unwholesome competition with the more reliable labor force, they tend to force down the wages of all.* The mere presence, in the industrial market, of a large class of "jobless" men, who must, somehow, find food, clothing and shelter, is a destructive force that operates to reduce the wages of all.

In short, *enlightened self-interest*, rather than any charitable considerations, should lead us to devise some method for eliminating unemployment. Let us create "Cities of Refuge for the Unemployed," and we take the

most important step in establishing a *minimum wage*, below which none will compete in the industrial struggle. *We establish a proper standard of living that shall be self-regulative*, and install an automatic safety device to protect the citizen-body from the unhealthful competition of the "unfit." Accordingly, by protecting the unemployed from the uncertainties of our competitive system of industry, we unite the considerations of idealism, for the welfare of the poor and the oppressed, with self-interest for safeguarding our economic system. Such a unified force working for progress is irresistible, for to the charitable instincts of mankind are added the more potent agencies of self-defense.

A scholastic philosopher of the Mediaeval Church might have made some important deductions from certain acts of Jehovah as recorded in the Old Testament. When the children of Israel went forth from Egypt, they wandered for forty years in the desert, supported directly from the bounty of the Lord. The All-Wise understood that a nation of slaves can be converted into freemen only after they have become independent of the tyranny of physical wants.

In His beneficent wisdom, He sent them manna from the heavens to satisfy the craving for food, so that the chosen people might have leisure and the inclination to pursue higher things. God knew that the Exodus, in itself, did not convert slaves into freemen; that liberty means more than emancipation, than the mere negative process of breaking old chains. True liberty is a positive concept; and only after the countrymen of Moses had been freed from the inexorable physical needs were they really free to follow the laws of the Almighty. From such facts, a Church philosopher might have justly concluded that the supreme function of govern-

ment, as revealed to us through the works of God, should be to endeavor continually and persistently to provide for the physical wants of the citizens. Only after we have removed the despotism of physical needs can we succeed in building a higher self, a better and nobler type of man. With less strained reasoning, we of the Twentieth Century might agree with the conclusion that government should be utilized as an instrument for making man free in his industrial life as well as in his political life.

## CHAPTER II.

### SCIENTIFIC MANAGEMENT AND THE DISTRIBUTION OF WEALTH.

#### I—*Permanent Oversupply of Labor.*

An eminent economist has declared, with an apparent show of reason, that whatever faults we may attribute to our present-day economic system, it has, at least, one redeeming feature—namely, “it works,” while all socialistic schemes are mere dreams. But if the competitive system of industry works like a squeezing machine that accumulates a by-product of a submerged tenth, interspersed with strikes, lockouts, ruinous trade wars and political bribery, might we not expect even Socialism to prove, at least, equally beneficent? Any doctrine that a thing works because it exists would forestall progress, since existence is made synonymous with efficiency. Most grievous wrongs would be sanctioned because of their existence, and every upward step in civilization would be decreed “unworkable.”

Much has been written on the evils of an unregulated competition with the unnecessary duplication of plants, the consequent extra expense on useless advertisements for attracting trade, and the waste due to the maladjustment of labor. But there is a far stronger indictment against the competitive system of industry than economic waste—than mere money loss. I refer to the waste of human life and the ceaseless grinding of the so-called “unfit.” These unfit, who constitute the “submerged tenth” of civilization, while they happen to be the unemployed and underpaid portion of the population under the present economic system, may

not be the scum of the earth. Who knows how many an artist, scientist or thinker is lost to the world because he is unfitted for the economic system of his day?

Socrates was utterly useless for Athenian industry, and he would probably prove a failure in the modern economic world. Copernicus was so ill-fitted to the social system of his day that very effective means had to be employed to separate him from his environment. We must not be so hard on the "unfit"—for, after all, it means simply that a particular individual is unsuited for a particular industrial system in which he happens to occupy a certain unattractive position.

Scientists tell us that even a machine of great efficiency will lose a large proportion in transforming one form of energy into another. Even so, it seems that our economic system, in spite of its boasted scientific achievements, allows an enormous amount of energy to dissipate. If we resolve this fact into terms of human life, it means that the hopes, aspirations and yearnings of countless human beings are crushed, and mankind is denied the benefits that their labor might bring. Furthermore, the increase in scientific knowledge and the multiplicity of inventions, while generally raising the standard of living, have done very little to decrease the number of unemployed or alleviate the condition of the underpaid or "jobless" man.

The numerous inventions and the application of scientific management in the industrial world, however beneficial and profitable for manufacturers and consumers alike, often aggravate the difficulties in the problem of unemployment. We cannot sanction the fallacy that an increase in output by individual employees always means the loss of a job to some fellow workingman, for other employment, created by the

new wants of a progressive age, may be awaiting the discharged man. But the fact is that, because of maladjustments in our economic system, we are rapidly coming to a point when we shall have a *permanent oversupply of labor*—just as we now often have *temporary overproduction* (of materials). That this contention is not fallacious can be ascertained from a close examination of the tendency in economic activity at the present time. We have heard a great deal, not so long ago, about the numerous benefits secured by “scientific management.” It has been heralded even as a new philosophy. Without attempting to disparage the good work of the pioneers in scientific methods of doing the world’s work, let us remember that they concern themselves only with the problem of production.

Like the economists of the old school, they neglect the problem of distribution, but without a proper distribution even production itself can never be efficient.

Do you question the truth of the last statement? Then analyze an analogous case, which is clearly in point. Let us examine the status of a definite community of two thousand families that is economically self-sufficient and in which the theories of scientific management have triumphed and are rigidly applied. Of the two thousand able bodied workers, it is found that five hundred will suffice to furnish all the food necessary for the community, besides leaving a sufficiently large surplus; that another five hundred can do all the manufacturing demanded for a high standard of living; and that five hundred more are amply sufficient as teachers, artists, scientists and traders. In short, instead of two thousand workers, we find that fifteen hundred will be able to do all the necessary

labor, including the production of a sufficiently large surplus. Now if the community should be a co-operative commonwealth, it would find work for the remaining five hundred either in the accumulation of a larger economic surplus or in extraordinary work for beautifying the land and developing the artistic side of the inhabitants. But under a competitive system such an expenditure for the support of five hundred men, *for labor that is not readily negotiable in profits*, is unthinkable. The state, the community or a mutual protective association might undertake such a task, but any idealistic promoter who should be so unfortunate as to attempt it, under the competitive system of industry, would speedily be put out of business by his more thrifty competitors. In an industrial democracy, if three men out of every four can do all the work to supply the needs of four (with a sufficient economic surplus), the fourth man would be employed in some labor for the increase of the economic surplus or for the edification and enlightenment of the first three. But under the competitive system, the fourth man is discarded as a useless encumbrance on the economic fabric. Fortunately, the theories of scientific management have not yet taken deep root, so that instead of three men being able to do the work of four, it may take about nine men to do the work of ten. What do we do with the tenth man? We send him to the recruiting station called the "submerged tenth"—the ground for volunteers in the service of vice and crime. This tenth man does manage to exist, somehow, thanks to the charities and philanthropies of the great and the ingenuity of the criminal class and the skill of the vicious. In the end, the community pays the bill for the support of the "submerged tenth," in some form or



another, as truly as if it offered pensions—with this immense difference: that instead of earning their livelihood by the sweat of their brows, these persons are often induced to pay for their existence by bartering their souls, by corrupting their fellow-men, or by assuming the repellent attitude of the beggar.

Furthermore, since the support of the submerged tenth is rendered precarious, they are of no consequence in the economic life of the nation. Living on the crumbs that fall from the well-filled table of civilization, they are not economic consumers and cannot be of much importance in estimates for production and industry.

On the contrary, *they curtail production*; instead of producing for ten-tenths of the population, we are producing only for nine-tenths because of the economic insignificance of the "submerged tenth"; and I make bold to say that if we institute a system of scientific management in which three men will do the work of four, *without solving, at the same time, the problem of unemployment*, we shall only have enlarged the underworld and transformed the "submerged tenth" into a "submerged fourth." Furthermore, production will have to be curtailed 25% instead of 10% to correspond with the decreased demand, because of the inability of one-fourth of the population to pay the price of a decent livelihood.

It must not be forgotten, likewise, that every curtailment of production means a reduction in the number of wage-earners, who are added, automatically, to the unemployed class—demanding a still further decrease in production.

2—*Surplus Labor Value and the Struggle for Markets.*

The central feature of the Socialist program has been declared to be the principle that: Socialism demands for each worker the *full* value of his labor, whereas, under the competitive system a large surplus of his labor value is appropriated by capitalists in the form of rent, interest and profits. It is immaterial for us at this point whether we regard such appropriation as robbery (in conformity with the contention of Socialists) or as the rewards of skill, abstinence and merit (as the defenders of the competitive system would have us believe), but the fact remains that there *is* a surplus value produced by each individual workingman which the latter does not consume—whether it be classified as profit or surplus labor value. The surplus may be one-half or one-tenth of the entire value of his produce, but that there is such an excess is indisputable. Science and proper management tend to increase this surplus, which might be of inestimable value to civilization and progress. It might be used to increase the comfort of the working class and to store up economic goods and capital for future generations. But under the competitive system of industry the most important function is the *disposal*, rather than the accumulation, of such surplus products—to increase consumption for the purpose of gathering larger profits. On the one hand our competitive system aims to reduce the expense of production, to eliminate useless laborers; while on the other hand it endeavors to increase consumption of the products so produced. What is the result? A large part of the population—the unemployed—have not the money equivalent for purchasing the goods that are so well advertised. Our haphazard competition, *failing to*

*make any proper connection between demand and supply*, endeavors to produce as much as possible as cheaply as possible, without giving due heed to fostering a class of consumers. Accordingly, we have unemployment and low wages going hand in hand with overproduction and panics.

We may now understand the significance of the enormous trade struggles of recent history. Free trade, protection, reciprocity, the open door policy (as in China) and the "most favored nation" clauses are not mere shibboleths for political parties. They represent the feelings and convictions—the full portent of which is appreciated less by the masses than by the masters in finance—that we must have an outlet for surplus products or the nation will choke to death with a surplus of products which cannot be consumed in domestic commerce, because the vast masses of unemployed and underpaid have not the necessary money equivalent. So long as three-fourths or four-fifths of the nation can supply the needs of the entire nation, we must have this economic struggle for foreign markets as an outlet for surplus goods—at least so long as we maintain the present economic system of competition for profit. Let that foreign market fail us for any length of time, and we shall discern the signs of the deluge—for the present capitalistic system of production. We shall then be compelled to readjust our economic system and find a place for the unemployed.

At the present day, the unemployed class is a necessary supplement to the capitalistic system, for it furnishes the recruiting ground for enlisting laborers to under-sell their comrades in the labor market. True to the rule of economics, the capitalist needs a large supply of labor so that the demand may not exceed the supply,

and so that the price of labor may not be prohibitive of profits. Yet when this labor supply becomes too large, we have "dangerous discontent," the growth of "demagogues," and "conditions that are subversive of social order," "and the established rights of property." Accordingly, we must obtain markets in order "to give employment to our people," and keep conditions *in statu quo*. The Huns under Attila sought for new lands, because middle Asia was, literally, drying up for lack of a proper water-supply. The English settlers in America displaced the Indians because England was too small a country to produce enough to feed its own people. But we are seeking new fields for our commerce because we are producing too much—which, under our present economic system, we cannot consume.

And what will "scientific management" do for us? It will make us more efficient, enable us to produce more, to have a larger unemployed class, and force us to seek still other markets. All credit is due to our scientists and inventors for their splendid achievements in industry and commerce. But we are rapidly approaching a point, *where we cannot afford the luxury of improvements in science without improvements in economic organization*. We need scientific management *in distribution* and inventions of methods of economic re-organization to go hand in hand with the steps for increasing production. In short, we need a union between the workers in the field of political science and the inventors in the domain of natural science. And the most pressing problem which they, working together, must solve in the near future is the problem of unemployment.

## CHAPTER III.

### UNEMPLOYMENT AND THE MINIMUM WAGE.

The reader will recall the famous law in economics formulated by Gresham, namely: that whenever dearer money and a cheaper currency circulate together in the same country, the cheaper money will rapidly drive the better currency from the land—because the dearer money will be hoarded as more valuable. But this fundamental principle, known as “Gresham’s Law,” is of much wider application. The unscrupulous competitor in business will drive out the idealistic employer, because the latter will not be able to meet the prices of his more thrifty rival, who often secures low cost of production by the grinding of the laborers. In short, industry is like water, and both always seek the *lowest level*. We may state as a corollary to Gresham’s Law, as follows: Wherever you have a condition of competition *between low-priced labor and higher-priced labor, the latter will tend to be forced down to the level of low-priced labor*.

To remedy this condition, we have the principle of the Minimum Wage for labor, which has been popularized by the important work in economics of Sidney and Beatrice Webb. Their contention is that the Government ought to place a price limit below which no employer might be able, lawfully, to engage any laborer. The last United States census has shown that the lowest possible expenditure per year for an average family (of five persons) in order to preserve healthful family life is nearly \$620, and this corresponds, roughly, to the conclusions of John Mitchel in his “Organized Labor.” As there are about three hundred work-

ing days in the year, each wage-earner should receive at least \$2.10 per day at constant employment, in order to safeguard the American standard of living. The theories of the Webbs would lead to the conclusion that we ought to prohibit any employer from paying less than \$2.10 per day, and a proportionate increase in those industries (like seasonal trades) where many days are lost through unemployment.

Omitting the obvious objection that such a program could not be followed in the United States, where the courts would annul such legislative interference with "individual liberty" as contrary to the Constitution and in violation of the provisions guaranteeing the "sacredness" of contract, there are still other vital objections on purely economic grounds. Those employees whose labor is of such small economic value that the payment of \$2.10 per day would entail an economic loss on the employer would be forced down into the class of the unemployed. The Webbs classify all such unemployed as abnormal or unfit, and frankly admit that society would have to make some provision for them—as we do to-day with recipients of charity. But such considerations, they tell us, must not prevent us from insuring a proper livelihood for those whose services are worth more than the legal minimum wage, but whose economic welfare is endangered by the unwholesome competition of the unfit.

We are rapidly passing the time when one or more nations (as England prior to 1870, and as England, France, Germany and the United States since that time) can control the manufacturing and commerce of the world and dictate financial policies. *The industrial revolution is world-wide in its significance.* And the one great fact that stands out prominently is this:—

the improvements in industry, invention, scientific management and skilful finance *have made possible the production of vastly more than the world can consume; from day to day.* In an industrial democracy this would form a subject for congratulations and thanksgiving-day proclamations, since it would signify a reduction in the hours of labor, higher wages (and its necessary complement, a higher standard of living), and a large economic surplus for future generations. But under our competitive system, where work is done *not for an accumulation of goods but for a disposal of goods* and a quick conversion into profits, there is no demand for any one of these three benefits.

On the contrary, the exigencies of our industrial system often require the absolute destruction of property in order to safeguard profits of individuals and classes. Thus the cotton planters of the South frequently announce that they are compelled to destroy a portion of the large supply of a fruitful year, because they can obtain a larger margin of profit on a smaller supply of cotton due to the enhanced price of the crop. Many a farmer has thus been ruined "on the expectation of plenty." In fact, destructive wars (like the Spanish-American, English-Boer, Russo-Japanese), earthquakes (like that of Messina and San Francisco) and all catastrophes that are accompanied by a large destruction of property are necessary to our present-day industrial system. They stimulate activity, offer larger fields for employment and create business booms (as the quick development of the trusts after the Spanish-American War and the rapid progress of California after the earthquake). In spite of all the condemnation hurled by our peace-lovers and humanitarians against the waste of life and capital incidental to war,

earthquakes and plagues, these are beneficent institutions to moderate the severity of the competitive system, for they present better opportunities for obtaining employment and larger rewards for labor. Wars, plagues and earthquakes may be blessings in disguise (wearing heavy, dark masques), for they tend to reduce the number of the unemployed and raise the standard of living of those who are employed. They convert a large part of energy now dissipated in vice, crime and "in seeking for a job" into work either of rebuilding (as after earthquakes) or destruction (as in war). These luxuries of war and disease are very costly, but as long as we preserve a system that eliminates from industrial activity one man out of every ten, because nine men can supply the needs of ten, so long must we have some substitute like war, unless we would starve the tenth man. It is true that it would be more logical to pay the tenth man and abstain from war, even though the tenth man were paid merely "for marching up a hill and then down again" without contributing anything to civilization or progress. How much more logical would it be to pay the tenth man and utilize his energy for some benefit to humanity? But this we cannot do so long as individual profit is the mainspring of economic activity.

Nor would the application of the principle of the minimum wage solve this problem of unemployment. *It would tend to safeguard the standard of living of those who do work* and guarantee a certain minimum of the comforts of life for those who are employed. It is, in principle and results, exactly analogous to strong labor organizations that can compel employers to pay higher wages than might be obtained by individual bargaining between employers and employees. In fact,



were labor organizations sufficiently strong to demand and secure, from employers, concessions in wages and hours of work that would safeguard a high standard of living for all workers (unorganized as well as organized), there would be no necessity for any minimum wage law, since proper remuneration for services could be obtained without resorting to the law. A minimum wage law is the cry of those who desire a substitute for strong labor organizations, or of those who have concluded that labor organizations can never be strong enough to guarantee a living wage for workers.

Neither the minimum wage nor organizations of labor can solve the problem of unemployment. And this is due to conditions inherent in our competitive system that cannot be eliminated by the organization of strong labor unions or governmental regulations, short of a *modification* of the competitive system of industry. So long as science and industrial management have made it possible for nine men to do the work of ten, *and we have no proper method for utilizing the labor of the tenth man*, we must have unemployment. Our problem is to find a place for this tenth man; and if we offer this "marginal" workingman a living wage, we shall, automatically, solve the problem not only of unemployment but also of a minimum wage. Instead of restrictive laws and struggles between capital and labor, we need but some effective institution which shall supply work and a living wage to those who are denied these benefits to-day, in order to humanize our industrial system. It will not eliminate competition, but will raise its plane, by offering the opportunity to those who are unable to secure a living wage in the competitive system of accepting, as an alternative,

employment at a living wage *outside the competitive system*—just as the open fields of the West in early American history effectively regulated the problem of unemployment, and its necessary consequence, poverty.

Our problem, therefore, is to find a living wage for the unemployed *outside the pale of the competitive system*, that will secure for them the necessities of life while safeguarding their spiritual and physical welfare. This would solve the problem of the minimum wage and, at the same time, eliminate unemployment. It would serve, likewise, as a regulator of the competitive system by reducing the periods of over-production and panics. It would act as the safety valve in the onward march of civilization, and prevent the explosions in the engine of progress due to the accumulated pressure of the energy of the unemployed and underpaid. The escaping steam—the present-day unproductive forces of the unemployed—would be directed along lines that might prove of inestimable advantage to mankind.

To-day, we have poverty in the midst of plenty; unemployment while there is so much of the world's work to be done; and the minimum of rewards for labor and thrift when bounteous nature has so much to offer. Without attempting any revolutionary changes in our economic system, a certain regulation and modification of the competitive system of industry is indispensable in order to insure industrial, political and moral freedom. We must now examine the character of the institution that shall eliminate unemployment, insure a minimum wage and raise the plane of the present competitive system of industry.

## CHAPTER IV.

### THE LABOR COMMONWEALTH.

The questions of unemployment and a minimum wage constitute the keynote of the whole social problem. Let us devise some method for assuring employment and for the payment of a decent, living wage and the problem of poverty is solved. We shall make possible a better economic adjustment, an elimination of the misery in human life, and the opportunity for the self-realization of the individual.

The unemployed are usually divided into three well defined classes: (1) hard-working and honest people, ready and willing to labor for their living, but forced into the ranks of the submerged tenth by the ruthless competitive system which rejects them as "unfit"; (2) the unemployable, or those who prefer the lives of idlers and tramps to the toil of their more thrifty comrades; and, finally, (3) the criminal class and the prisoners within the walls of the penitentiary.

It is one of the most curious facts in history that experiments with the labor of the criminal class should offer us the prospect of a solution of the whole problem of unemployment. Different states have made many attempts to make use of prison labor. The discovery soon was made that the prisoner need not be a charge of the state, but might be made to pay for his maintenance. At first, many states would hire out the prisoners to contractors so as to avoid the trouble and the "Socialism" involved in state activity. But to the dismay of the politicians, it was found that the voice of labor was strong in denouncing this competition between free and slave labor. In fact, the poor work-

ingman, who had lost his place because his employer had found it more profitable to engage prison labor, was not constrained to examine economic text-books to ascertain the reason for his sad plight. He felt and understood the situation even though he could not have assigned appropriate economic reasons. The old truth that competition secures the cheapest price—in commodities, labor and life—was amply illustrated.

Accordingly, the demands of the laboring class that they shall not have to meet the competition of prison or slave labor is now conceded in some states, and, as a substitute for contract labor, we are introducing a system of direct state activity for the production of certain goods *not for the general market* (which would tend to injure the market price and re-act unfavorably on wages), *but for the use and consumption of state institutions*. Thus, in a message to the legislature of California, Governor Hiram W. Johnson says: "The objection to the manufacture of articles in the State prisons comes generally, and justly, I think, from the free labor of the State. The purpose of the bill that has been introduced is to permit only those articles to be manufactured which are used by the State, the county, or the municipality, and does not permit their sale privately.

"The restrictions within the bill are such that prison labor shall not be brought in competition with free labor. The particular measure that has been introduced has been submitted to the San Francisco Labor Council, and has received the sanction of that body.

"It is presented to you, therefore, with the full knowledge and approval of labor within the State of California."

Governor West of Oregon, in a similar message,

presents the same argument for direct state use: "Objection has been made to the employment of convicts in competition with free labor, and there is merit in the objection \* \* \* It should be the aim of the State, therefore, to provide them as soon as practicable with employment which will remove them as far as possible from competition with free labor. The best solution it seems to me is their employment in the construction of roads."

Now, the good results obtained in such state efforts elucidate an important principle, which, it seems, the authors themselves do not appreciate. Yet, a careful consideration will show that, if the principle be faithfully followed and carefully applied, it may solve the whole problem of unemployment. This principle follows as an immediate corollary from Gresham's law: *Wherever you have a condition of competition between low priced labor and higher priced labor, the latter will be forced down to the level of low priced labor.* Trade unions and federations of labor are useful in mitigating the rigor of this rule by raising the wages of organized labor. But, *since they cannot control the industrial system, they cannot solve the problem of unemployment.* If one man out of every four is numbered among the unemployed, organized labor cannot supply work for this fourth man, although it might increase, appreciably, the wages of those who are employed.

In order to preserve a relatively high wage for labor, therefore, we must rear an institution which will eliminate low priced labor *by offering employment at a minimum wage, which will be sufficient for the maintenance of a proper standard of living.* And the work of prisoners under the direct control of the state for the use of state institutions, *not in competition with*

the industrial market, suggests the remedy. These experiments with prison labor were surpassed by the successful efforts of the farm colonies, established for the support and maintenance of vagrants and tramps, who were to be redeemed for honest labor. Now, if prison labor and tramp labor can earn sufficient to support life, why cannot the honest toil and willing work of able-bodied men bring forth sufficient for their prime economic needs? It is a disgrace to our civilization to admit that we can find a place for the criminal and the idler but none for the man who dares to preserve his self-respect, when our haphazard economic system declares him "unfit." Yet the explanation of this apparent enigma presents the remedy.

It is our inability to properly adjust the demand so as to correspond with the enormous increase in production that is at the root of the entire problem of unemployment. *If our laborers were paid the highest possible wages*—instead of the lowest—consistent with efficient production, then they would have the *purchasing power* essential for an increased consumption and for a demand for new products. Manufacturers would gain by such an increase in the demand for their products, and our industrial system would operate to raise the whole social fabric—to insure larger rewards to the laborer and to increase the products of industry. Unfortunately for the laborer, we have conducted our industrial system on the theory that *cheap production*—including a cheap labor force—is the *sine qua non* of economic progress. We are killing the goose that lays the golden eggs. By decreasing the rewards of labor we are limiting the field for the products of such labor, and thus decreasing the profits of the manufacturer and trader. Furthermore, *so long as*

*there is a large portion of laborers who receive low wages*, their brethren in the labor market must suffer the consequences of such low wage competition.

The fatal error in an economic system like ours, that is based on individual profit alone, is the fact that we are continually striving to reduce the rewards of labor (as part of the programme of a low cost of production), heedless of the fact that in so doing we are limiting the purchasing power of the producers—decreasing the consumption of products of our industrial system. A concrete example will illustrate the effect of low priced labor—as the influx of Chinese in California. The high rates of Western wages would, undoubtedly, suffer a material decrease and the looked for increased product would not materialize, for the very good reason that the *low wages* would be insufficient to create a demand for such products. In short, the adoption of low priced labor becomes a check on consumption of products, which, in its turn, limits the productivity of the country. Such low priced labor becomes unendurable not only to the laborer but to the whole social system, unless the inevitable law of competition in the labor market is checked and modified by trade unions, and, more important still, by the presence of free land to which the laborer may resort as a “squatter” or free farmer.

Our industrial system, therefore, is constantly turning out a large portion of the workers as unfit—men whom it can use no longer because it has more than a sufficient supply of labor to meet with the demand for commodities produced by such labor. Now, evidently, if we place these men back into industrial life, they will only displace others (so long as our failure to regulate demand and supply continues). But we can easily

learn the lesson taught by prisoners and tramps. We can place these men in industrial camps and farm colonies, where their labor will be utilized *not for general production*, in competition with the markets of the world, but for producing their own immediate necessities. In short, we can establish colonies for the unemployed that will constitute *economic self-sufficient units, outside the pale of the ruthless competitive struggle for existence*.

In fact, in the early period of American history the unemployed, by moving to the unexplored fields of the West, did constitute themselves into small self-sufficient economic units, and, thereby, effectively regulated the labor market. We can easily duplicate the situation to-day by substituting for the free lands of the West the equally effective public control of large tracts of land for agricultural and industrial development by the unemployed.

The United States Government expends over one hundred and forty million dollars per year in pensions to the veterans of the Civil War, and if we add to that sum the very large annual expenditure for the army and navy, we shall find that every man, woman and child in the United States pays, on the average, four dollars per year for the national defense. Were we to spend an equal sum for correcting the abuses of the economic system of our day, and for supporting that *great industrial army* that haunts our cities, seeking for the opportunities for labor, would not such an expenditure be justified? Even as a war measure, necessary for self-defense—not to speak of the humanitarian principles involved—in protecting society from a mob of unemployed, the price is not too high. But as a matter of fact, we can solve the problem of unemploy-



ment, and with it that of poverty, by the expenditure of a much smaller sum, for statesmanship, rather than money, is essential for its solution.

In presenting any plan for the solution of the problem of unemployment, however, it must be borne in mind that we are dealing not with prisoners and criminals nor with vagrants and idlers, that are grouped in the class of "unemployables"—for such characters present problems for criminal law and philanthropy rather than for economics. We are interested primarily in those who have fallen into the unfortunate class of the unemployed not because of any gross moral deficiencies, but either (1) because of lack of efficiency as individual workingmen when compared with more competent laborers, or (2) because of faults and misfits in the economic adjustment of society for which individual workers cannot be held responsible.

The Federal Government owns vast areas of undeveloped land, situated, for the most part, in the western states. Individual settlers have neither the capital nor the necessary labor supply for developing large tracts of land without assistance. Yet, if the government, or some agent of the Federal government created specifically for that purpose, should offer to every American citizen employment with the assurance that in return for such labor he would receive food, shelter and a small sum for clothing, there is no doubt but that these fields could raise a sufficient food supply and elementary clothing to support the families of all the unemployed. We are supporting an army for the purpose of national defence, even though that army fails to produce its own food and clothing. It would be proper to create an institution which will convert the unemployed into an *indus-*

trial army, particularly if such industrial army should prove self-supporting and, at the same time, solve the problems of unemployment and poverty.

The cardinal feature of the activities of the colonies for the unemployed would be: *to produce only necessities, and only those things which can be produced without the application of extraordinary skill*—the labor colonies would produce little of the luxuries of life (as automobiles, high class furniture, ornaments for personal wear, palatial dwellings, etc.). The colonists must be given to understand that they must produce all the necessities of life in their own communities, without other help than the guidance of competent engineers, of expert agriculturists and administrators, and of certain essential machinery. Such colonies for the unemployed citizens of the United States would prove self-supporting, for the colonists would produce, *not for the general market, to add to the distress of overproduction*, but for their own needs.

The labor colonists would be subdivided into three general divisions:

(1) Farmers, comprising those who would labor to bring forth the food supply for the communities—wheat, corn, rice, vegetables, eggs, milk and dairy products, poultry and meat. In order to assure proper sustenance, the farms must be scattered throughout the various sections of the country—some extensive fields in the Southern States to be devoted mainly to the production of cotton, rice fields in Louisiana and South Carolina, wheat fields in the North Central States, etc. The cotton produced in the Southern States would be utilized for all the colonies just as the wheat of the North Central States would feed all the colonists.

(2) Tailors and artisans, to produce clothing for the labor colonies. It need hardly be emphasized that the colonists would make no attempt to manufacture the luxurious dresses of the idle rich—the furs and feathers, the jewelry and elaborate silks of high society. Their labor would be confined, for the most part, to the production of goods essential to a thrifty laborer—shoes, underwear, shirts, men's suits, ladies' dresses, overcoats and hats. Nearly all the raw material for such manufacture would be obtained from the farmers of the communities—wool, cotton, leather, etc. But, of course, some money would have to be expended in purchasing certain supplies from the competitive system. Thus the highly specialized machinery (used in the manufacture of shoes, men's clothing, etc) could not profitably be produced within the labor colonies, because the latter would not be able to furnish the skilled labor required for such work. Likewise, small articles like buttons, nails, pins, etc., might, with more profit, be purchased from the competitive system, as it might prove inadvisable to erect large plants for the manufacture of these necessities.

(3) Masons and carpenters, to construct the buildings for shelter and the simple furniture that the home of a thrifty workingman requires. Tapestries, pianos and the other luxurious furnishings of the rich would find no place in the scheme of production in the labor colonies. But the manufacture of tables, chairs, beds and dishes would form a very important industry in such communities. In this connection, it is worthy of notice that Edison is just completing some highly interesting experiments in the uses of concrete, and the future will probably present pictures of home life in

these colonies in which the concrete house with its concrete furniture will stand out prominently.

These labor colonies, scattered through many states of the union, would form a system analogous to the national banks, where the produce of each colony would be credited to the account of that particular community, and all the communities together would constitute a "clearing house" for the proper distribution of products and the profitable disposition of any surplus goods. This would result in the elimination of one prolific source of panics, namely, the stringency in the money market, since production in the labor colonies would be for direct consumption, and only the surplus would be utilized for conversion into money or goods produced within the competitive system. The *excess* products of such colonies would be disposed of in the open market, and the money so obtained, after deducting the interest on the capital that the government might have invested, including a replacement fund for the wear and tear of machinery, might be apportioned as dividends among the colonists. Such division of the profits obtained on the sale of excess products—after assuring the physical needs of the colonists—may be so apportioned as to stimulate work and reward industry. A well regulated scheme for such profit sharing might be introduced so as to allow a larger share to the hardworking and industrious over the less useful in the community. As these *excess profits would be the only opportunity for obtaining any of the luxuries of life*, by enabling colonists to purchase products over and above actual necessities, we may be sure that there would be a strong motive for work.

Furthermore, such an arrangement has the merit of securing a fair standard of living for all workers be-

sides a higher standard for those who prove themselves more fitted in the industrial struggle for existence. The Labor Commonwealth would say: we offer every man the opportunity for earning his own living, and his wages shall be sufficient to supply his family with the necessities of life. Such a proposition must not be confounded with the dangerous methods employed in Ancient Rome for supporting the poor by offering grain gratis. This procedure must breed laziness and corruption. But in these labor colonies, each man (and his family) will be provided for only so long as he works to accumulate, for the colonies, the grain, clothing and shelter necessary for a tolerable existence. We shall not dangle before his eyes the unearned wealth of plundered provinces and the spoils of the victors, but the rewards due him by the sweat of his brow and the labor of his hands. Furthermore, while the bare necessities of life are assured him, he will learn that he can share in the luxuries and recreations that make life worth while only by the success of the community in producing an excess of materials and his honest toil in procuring such profits.

In short, the labor communities will produce all the necessities of life for the colonists, and, after securing such necessities, will dispose of the surplus, if any, in the competitive market. It might with reason be urged that this dumping of surplus goods into the open market might so affect the competitive system as to cause a complete breakdown, so that all wage-earners might have to become members of labor colonies. But it must be remembered that such surplus will never be too large, for there will be no compelling motive of individual profit to convert laborers into wage-slaves. On the contrary, as soon as there should prove to be a suffi-

cient surplus, the managers of the labor communities would reduce the hours of labor and offer opportunities for healthful recreation and useful instruction. Part of the surplus would be utilized in the employment of teachers, lecturers and actors to develop the best cravings of mankind.

Furthermore, the disposal of these surplus products in the competitive field would hardly disorganize the competitive system although it might tend to rearrange certain industries. For example, the production of necessities (simple clothing, agricultural products, etc.) in the competitive system might decrease because of the increase in our labor colonies, but any surplus among the colonists would furnish a strong incentive for obtaining the luxuries of life. Such luxuries would have to be obtained from the competitive system (since our labor colonies would produce only necessities) and thus the total change would be a decrease in the production of necessities within the competitive field and an increase in the production of luxuries. At the present time, the unemployed are, to a large extent, non-consumers, and they thus limit the market for economic goods. Our labor colonies, however, would foster a new class of consumers and would increase the market in necessities and luxuries. Now we need earthquakes and wars to stimulate trade and promote economic well-being; but labor colonies would serve the same purpose without imposing the awful conditions demanded by warfare and catastrophes.

The net result of a system of labor colonies, producing the necessities of life for their members, would be to *raise the plane of competition*. It would solve the problem of unemployment by offering to every person, who is neither a criminal, a vagrant nor an idler, the

opportunity for securing the necessities of life. It would *not abolish competition* but limit its scope and raise its plane. The state would say to the citizen: thou shalt not barter thy body and soul for the bread and clothing that nature demands, even as we refuse to sanction any contract for individual servitude. But every individual, who feels that he can earn for his family more than the necessities of life, may remain within the competitive system. The labor colonies will automatically establish a *minimum* wage, for no one will be so foolhardy as to work for smaller wages, within the competitive system, than will secure for him the necessities of life. No limit, however, is placed on the maximum wage that the competitive system may offer. Not to level ranks should be our object, but to raise the plane of all economic life.





## CHAPTER V.

### INSURANCE AGAINST UNEMPLOYMENT.

#### I—*Immigration and Unemployment.*

Fortunate indeed is our country because its vast extent and diversified industries make possible the organization of labor colonies that can be economically *self-sufficient*. The cotton of the Southern States and the wool raised in the Western States would furnish the raw material that would be manufactured on the banks of the Hudson, the Delaware and on the shores of the Great Lakes into the simple clothing that would supply the needs of all the colonists, while the wheat and corn of the North Central States would feed the members of the various labor communities. Small countries like England and Belgium can hardly hope to organize many self-sufficient colonies for the unemployed, and only under some form of Imperialism (it may take the shape of the democratic Imperialism of Great Britain), that would unite the mother country with the vast stretches of fertile land in the colonies, could such labor communities be successfully established.

It might be urged that such favorable opportunities for earning a livelihood in the United States would attract an unusual flood of immigration to this country that might endanger the process of Americanization and might even result in breaking down the whole scheme of colonies for the unemployed, by the tremendous increase of the labor supply in this country. But we should provide that only *American Citizens* would be eligible to these labor communities, and it could, therefore, offer little inducement to any pro-

spective immigrant who would have to wait at least five years for admission. Yet, if, in the future—however improbable it may appear to us to-day—practical experience would prove that such labor colonies tend to increase immigration to the danger point, then we must frankly prepare for a period of restriction in immigration. Such a restriction policy would be the result not of any selfish motive of closing the door on the oppressed, and not even as a measure of self-protection (although it would operate as such), but rather to complete the realization of the American ideal of democracy. If social justice can be secured only by a restriction of immigration (and I do not now imply that this method would, necessarily, be followed), then we owe it to our American ideals to apply the remedy unflinchingly—even though such a policy may *seem* contrary to the American spirit. We owe it not only to ourselves, but to the world, to strive and labor for the realization of a system of social justice. For if we can solve the problem of unemployment in these United States, we become the teachers of the world, and the lands of the oppressed may profit by our example.

2—*Malthusian Theory and the Problem of Poverty.*

Will not the offer of employment, with the assurance of a decent livelihood as payment therefor, tend to increase population beyond the point of sustenance? Whenever the problem of poverty is discussed this old bogey of the Malthusian theory creeps in to frighten away the children of our civilization. However much the last century has taught us about the ability of science to increase the fertility of the soil and the reaping of larger and larger harvests, many still, unconsciously, adhere to the principle enunciated by Malthus. And

this is not at all surprising when we realize that the Malthusian theory presents a partial truth which cannot be swept aside by mere denunciation. Indeed, there have been so many earnest and "complete" refutations of the Malthusian theory, that we are justified in concluding that there must be something in the theory after all.

The truth is that the Malthusian theory has an individual rather than a social application. We need not fear that the world or the United States will not produce in sufficient measure to support its inhabitants, for the reason that we are increasing the food supply more rapidly than the increase in population. As far as the social application of the Malthusian theory is concerned the formulas of Malthus are unwarranted, for the scientific improvements devised in the last century are constantly tending to keep the food supply always in *advance* of the population. But, if in a particular community one-half of the population have resources far in excess of their needs and the other half are underfed, the latter may indicate some truth of the Malthusian theory. This would result not because of any natural causes *but solely because of our failure to solve the problem of the distribution of wealth*. A social system, properly adjusted, would find a place for the "other half." Only those individuals who happen to be deprived of sustenance (which they might obtain under a better social system) can furnish evidence of the partial truth in the theory of Malthus.

But, as a matter of fact, the Malthusian theory must be modified in another important aspect. Statistics prove that large families are found not among the rich and the well-to-do, but among the poor and the very poor. Omitting the psychological explanations for this

fact, there remains the sufficient economic reason that to the poor man—with his low standard of living—the child is an asset. For the small sum required to raise the baby to maturity, the father will be able to repay himself with increased interest in the wages that the child will bring in the future to help support the family. The wave of race suicide that is menacing not only America but many other countries consists in the postponement of marriage and the limitation of offspring among the rich and the middle class. Those who have already sunk to the level of the poverty stricken seekers for food have neither the foresight nor the will-power to adequately restrict the propagation of their kind. They feel that their condition cannot be aggravated, and so “after me the deluge.”

But the intelligent and educated middle class have the leisure and the foresight to examine the prospects for family life. They seek for opportunities for their children at least equal to those of their parents, and they refuse to enter the bond of matrimony, or they consciously limit the number of children in wedlock, in order to safeguard their own position in life and the opportunities of the children already born. They are not satisfied with mere bread for their offspring. They desire for themselves and their children education, leisure and the time and opportunity for recreation, which is the chief delight of living. In short, the struggle for existence signifies to them a battle not for mere bread but for a high standard of living, which shall include opportunities sufficient for developing the best that is in each individual. In conclusion, therefore, we can say that the Malthusian theory has this much of truth in it, namely, the limitation of population is due, not to a shortage of food supply, but *to a determination on*

*the part of a large and growing portion of the population to adopt a higher standard of living; and we need hardly fear that any society will reach the starvation point because of the natural failure of the food supply, but rather that our unethical economic distribution is the chief cause of unemployment, poverty and race suicide.*

In the colonies for the unemployed class, therefore, there cannot be any such enormous increase in population as to endanger the food supply of our country. The colonists will receive the physical necessities for existence—food of good quality (but not expensive or luxurious fare), ordinary clothing for a workingman's family (just as the soldier receives his uniform) and adequate shelter. But for the inviting repasts of the rich, the ornamental clothing that plays such a large part in the family bill (particularly for women's wear) and for the expenses involved for healthful recreation, the colonist will have to depend on his small share of the excess profits secured from the surplus products of the labor colonies. As the relatively large incomes necessary to a very high standard of living could be obtained only outside of the colonies for the unemployed, we may confidently expect that such provision for the *necessities of life* within the labor colonies will not tend to increase the population.

### 3—*Some Aspects of the Labor Commonwealth.*

In the examination of the family budget the investigator finds that the three elements which enter into the cost of living, namely, food, shelter and clothing, are very unequally divided. Thus, the cost of food for one family living on an income of three thousand dollars per year and of another family with an income of thirty thousand dollars per year do not show that wide

divergence proportionate to the respective incomes. In no case, probably, would the table expense of the latter be ten times that of the former. The large disparity in the expense would be accounted for in the examination of the shelter and clothing budgets. Economists have stated that the rent paid by a family constitutes, on the average, one-fourth of its income, while the expenses for clothing, including the jewelry, silks and elaborate trimmings of our ladies, are the despair of husbands and fathers. In short, the expense for food increases but slightly with the increase in income, whereas the cost for palatial dwellings, attractive furniture and elaborate costumes constitutes the elements of luxurious living which raise the family bill from three thousand dollars to thirty thousand dollars and more per year. Those who strive for luxurious living, therefore, will have to seek employment outside of the labor colonies, for the latter will produce only the necessities of life and a small surplus for comfortable existence. And yet this continual striving for obtaining the luxuries of life—the dress that plays such important part in the life of woman, the appearance of affluence that is so attractive in family life, and the longing to live in palatial homes from which neither man nor woman is free—are important factors tending to preserve our labor colonies from an influx of new members. Such desires represent the yearning for a *higher standard of living*, even to the limitation of offspring, if necessary, and present one strong guarantee for the success of the colonies for the unemployed.

Finally, the principle upon which these labor colonies can securely rest is: *every man is entitled to work and to receive, for his labor, the physical necessities for existence—the bread and shelter and ordinary clothing*

*which nature demands.* All the luxuries of life may be shared among the more successful in the struggle for existence, but only after adequate provision *for all*. The effect of such an arrangement will be not to eliminate competition but to raise its plane; to substitute for the merciless struggle of the poor for bread and shelter, the more interesting struggle of well-fed men for the luxuries, the pleasures and the honors of life. The colonies for the unemployed will automatically fix a minimum wage below which the struggle for existence cannot sink.

Conservative statesmen would probably oppose such remedial legislation for the purpose of solving the problem of unemployment, and might shield their opposition under the plea that the Federal Government or Congress has no constitutional right to engage in such enterprises. Without attempting any extended legal discourse, it may be safely assumed that if Congress should establish such an institution, the United States Supreme Court would sustain the legislation—probably on the theory that the “general welfare” demands an added exercise of the “police power” to avoid the evil consequences of unemployment. Such labor colonies may likewise be viewed as an auxiliary to the American army, and as a sort of national reserve which might be called to war in case of necessity. It might be properly classified with the pension system as a necessary expense for the national defense. In time of peace, these labor colonies would be the bulwark of our industrial army, and in war time the government might utilize them as the chief recruiting ground for the “national militia.” No constitutional objection could then arise, for Congress would be the sole judge as to the wisdom of such a war measure.

But perhaps the best method to be pursued in the founding of the labor colonies would be to establish an independent corporation or association, aided, indeed, by the government, but separate and distinct in its organization. Congress would provide that as much public domain as necessary be set aside for development by an association, known as the "Labor Commonwealth," whose charter will be scrutinized and approved by the Federal Government. Every citizen of the United States, who has been a resident of this country for seven years prior to his application, might become a member of this association on the payment of a small initiation fee, which will entitle him to membership in the commonwealth, provided, of course, he is neither a criminal nor an "unemployable" tramp or vagrant. This insurance premium, to protect the workingman against the danger of unemployment, might be regarded as a share in a mutual insurance company. Membership in this association would entitle him to employment in one of the labor colonies with payment (in the shape of food, clothing and shelter) sufficient to support his family with the standard of living of a hard working farmer or wage-earner. The wife and children, over sixteen years of age, would be co-workers with the father in performing some appropriate task in the labor-colonies, while any unmarried man or woman over eighteen years of age might enter the labor colonies to work for wages (in food, clothing and shelter) as an independent wage-earner. In this scheme, the married man might have an advantage over the single man since the former will receive the added recompense of supporting a family, but even to-day the public school, as an institution, discriminates against the unmarried by using public money for instruction of children. Besides, as



soon as there will be no fear of race suicide, the unmarried, or those with smaller families, might receive some surplus, over and above the necessities of life, as against those with larger families. But this is a matter of detail to be determined upon from time to time in the management of the labor colonies.

The Labor Commonwealth (the association of labor colonies) might follow, in some respects, the Federal Reserve Currency Plan. Thus, those citizens of the United States who will have joined the Labor Commonwealth (after paying initiation fees as prescribed) will have the right to select six members of the Board of Directors, three being chosen every second year (in the odd numbered years), each director to hold office for a period of four years. A system of voting might be adopted that would guarantee the possibility of minority representation, as, for example, granting to each member three votes in every election of the Board of Directors, which votes the member may distribute among one, two or three candidates. The Labor Commonwealth would be guided and managed by a Board of Directors of nine members, six of whom would be selected by the members of the association, as explained above, and three of whom would represent the United States Government. The latter might consist of the Vice-President, the Secretary of Interior and the Secretary of Labor. One of the essential features of the Constitution would be that every measure, to be adopted, must receive the support of a majority of the Board of Directors, *including at least two of the members representing the Government*. The latter would furnish guarantees for the payment of loans made to the Labor Commonwealth that might be necessary before the association is in good working order.

It would be out of place, at this time, to present detailed methods for the organization of the Labor Commonwealth and minute regulations for admission within such communities. It is sufficient to indicate that every member of the association might become a worker, in one of these communities for the unemployed, a reasonable time (one or two weeks) after his application therefor, and would be free to withdraw every three months from the date of entrance. We have already shown that such colonies could never be a source of severe loss on the part of the government, and may even result in the accumulation of surplus goods that might be successfully utilized for improving the condition of the poor and uplifting the standard of living of the entire nation.

## CHAPTER VI.

### SOCIAL LIMITATIONS OF COMPETITION.

#### I—*The Darwinian Theory and Group Co-operation.*

Many are the theorists who endeavor to deduce from nature certain lessons for the guidance of man, but none perhaps are so blind as those who generalize about the value of "competition" and "co-operation." The strict followers of Darwin examine economic and political activity and, finding therein an exemplification of the law of "survival of the fittest," see in that circumstance a sanction for the competitive system. With the confidence of science they look upon the light of the struggle for existence and "see that it is good." On the other hand, the devout students of Karl Marx, starting from an analogous premise, the theory of evolution and the economic interpretation of history and civilization, conclude that mutual aid has been even a larger factor in history than competition, and that co-operation presents the line of true progress. When we examine a book like Kropotkin's "Mutual Aid," and learn of the immense value of co-operation in the lives of insects, animals, and, finally, men, co-operation appears not only as an ideal, but as a practical force that has been operating for centuries to preserve and improve mankind.

Are these two views contradictory? Shall we say that the Darwinian theory has outlived its usefulness, and that Kropotkin, in his interesting and valuable pictures of group co-operation—the wild horses of Siberia herding in search for water, the birds flying together to warmer regions, and the downtrodden farmers of

Russia co-operating in "mirs," while the laborers form guilds and organize trade-unions—has put forth a view that negatives the fundamental principles of Darwin? Or shall we attempt a refutation of the invincible arguments for "mutual aid," clinging to the belief that only competition can develop the "fit" who ought to survive?

Many competent thinkers, unable to reconcile these two views, have accepted "Socialism" or "Individualism" as an adequate explanation of civilization and progress. Others, while recognizing both as contradictory forces, have attempted to modify the application of each by endorsing a hybrid view which would include competition and co-operation without any definite demarcation of the scope of each.

Yet, on a closer analysis, we shall find that there is absolutely no contradiction between these two views. As a matter of fact, the theories of competition and co-operation, of the "struggle for existence" and "mutual aid," are not opposites, but complements. The competitive struggle for existence unites with "mutual aid" to promote the "survival of the fittest." To use the phrase which has become popular: co-operation tends to convert the haphazard struggle for the survival of the fittest into a well-planned battle for the survival of the best. Competition may produce the men most fit to survive in a certain social system, but it is the chief function of co-operation to *improve that social system* (by moral rules, law, education, etc.) so that, by competition, the *best* men from the community will be selected for survival and success.

A single instance, chosen from Kropotkin's "Mutual Aid," will illustrate the value of co-operation. He dwells long upon the beautiful spirit of co-operation that holds together the wandering herds of cattle in

their search for water along the deserts of Siberia, and concludes that, but for this strong feeling of kinship, entire groups might have been exterminated in a mere competitive struggle for existence. In short, co-operation is necessary to preserve the *community*. You might, with benefit, have a certain amount of competition among individuals composing the group, yet the group itself must act as a unit in repelling the dangerous attacks of enemies or safeguarding communal life from the severities of nature. And so in human history. That race has triumphed which has permitted a struggle for existence among the individuals composing it, *limited*, however, by an effective combination of all of its component parts into a unified mass in the struggle for race existence and advantage.

In the field of politics, the Greeks, in ancient times, were perhaps most successful in reconciling individual competition with group co-operation. Each little city jealously guarded its own individuality and permitted its citizens a larger opportunity for self-development than any Oriental Monarchy. But all Greece was united in facing the hosts of Persia, and Athens and Sparta knew that their rivalry was limited by the co-operation necessary to safeguard Hellas. In later days, Greece forgot the value of co-operation and fell a prey to the individualism that recognizes no higher virtue. Of all modern nations, England has probably best appreciated the importance of a proper correlation between individualistic competition and social co-operation in politics. She has encouraged the development of competent governors (like Lord Cromer), offering large fields for the exercise of their genius for government, while endeavoring to preserve, on the basis of common race and language, a certain measure of co-operation

among the self-governing units of the British Empire. In the United States, we have an illustration of an attempt to modify and limit the individualism and competition of many various states by the co-operation required for Federal Government.

In economic life, it is even more important to ascertain the proper field for individualism and collectivism, for competition and co-operation, because, to a very large extent, economic activity determines the survival of the individual and the race. If we accept the logical deductions from the premise of individualism, we shall obtain a society in which "each man's hand will be against his brother," and in which we might succeed in developing a few supermen, by sacrificing the masses and abrogating the rules of morality and ethics. On the other hand, if we endorse the theories of collectivism, we may secure a social system in which mediocrity will be synonymous with virtue.

And yet the very weaknesses inherent in both of these theories reveal a certain value in competition as well as in co-operation from which the world might profit. Competition may suppress the weak and undermine morality, yet it selects the strong; co-operation may reduce individuals to an undesirable dead level, yet it tends to preserve society. In short, each supplies what the other force lacks. Competition develops strong men, but it offers no guarantee that these "fit" men will not destroy society and undermine morality by ceaseless warfare among the strong. Co-operation acts as a preservative force without any attempt at a selective process. Individualism spells selection; collectivism connotes preservation. Competition implies progress; co-operation aims at race conservation. If we discover a proper union of these two forces we shall

have a society that will not be sacrificed at the behest of progress, and conservation will harmonize with development.

As race preservation must precede development in economic life, so we must establish some form of co-operation, of collective activity, to serve as a limitation on the competitive struggle among individuals. How far shall that co-operative system extend? Only so far as it is an essential instrument for the preservation of the race, the community or the social group. Once we have been reasonably assured of the continued existence of a certain society, and have so established it as to prevent it from sinking below a certain level, we can safely permit the competitive struggle for existence to weed out the unfit and to select the best.

From this point of view, "mutual aid" is simply the application of the principle of "survival of the fittest" to group existence as distinguished from individual life. Animals, unconsciously, recognize the necessity for group co-operation in order to preserve themselves. Wolves hunt in packs; birds fly in flocks; sheep herd together; and men organize themselves in trade unions and establish trusts. Thus, co-operation is only another *means* utilized towards the *end*, survival, in the struggle for existence. In order to succeed within the group it may be necessary for the individual to engage in a fierce competitive struggle, but to preserve the group itself it may be necessary to co-operate in a society that will protect the weak and preserve and increase the *quantity* as well as the *quality* of the individuals composing the social group. "Mutual Aid" is only another phase of the struggle for existence—group survival as

distinguished from individual survival—in which co-operation supplants competition as the factor of prime importance. (In fact, it was only some *followers* of Darwin who began to use the term “competition” as synonymous with “struggle for existence,” while the father of the theory of evolution would never deny that co-operation may be a potent influence in the struggle for existence.) In any event, “mutual aid” extends only to groups, and it may imply a certain amount of co-operation within the group as a preparation for fiercer competitive struggles with other social groups. Darwinists may then claim that such co-operative efforts within society are only training schools for a larger competitive struggle for existence in the world drama.

Competition and co-operation are both abundantly illustrated in nature, and they must both be utilized by man, if he is to achieve the highest ends of life. Our contention is simply that *the proper proportion of these two great forces would present an arrangement whereby each society, state or nation would adopt at least that amount of co-operation which will secure a level below which the competitive struggle for existence will not be permitted to sink.*

“Mutual Aid” is essential, likewise, in order to preserve cohesion and strengthen the social group in contests with rival civilizations. France has her German peril, Turkey fears the tread of the Russian bear, California clamors for a Chinese exclusion act, while Europe and America are ill at ease because of the possibilities of a “Yellow Peril” in the awakening of China. Under such circumstances, it is important to remember that a strongly organized social group, based upon a careful system of co-operation, may sometimes triumph



over a state possessing many strong individuals but deficient in the spirit of co-operation, just as a well trained army of diminutive Japanese may conquer a motley crowd of huge Russian Cossacks.

The Industrial Revolution has revolutionized the entire individual and social life, for it has imposed on mankind a nerve-racking chase for survival and success. All nations must, sooner or later, feel the burdens of unrestricted competition, even as England is the first to suffer because she has been the pioneer in the Industrial Revolution. England has been warned by some of her great scientists that the fierce competitive struggle waged on the island which first adopted the results of the industrial revolution is liable to become the chief factor in race deterioration. Measurements of height, muscular development and weight seem to indicate that the Englishman is beginning to lose his old time virility. The example of Great Britain should be sufficient proof that *co-operation* is an essential element in the struggle for existence—co-operation must be the supplement of competition in order to safeguard civilization and promote progress.

To insure the survival of the "best" in each race we must adopt some restriction upon our ruthless competitive system of industry, that will prevent the individual from sinking to the level of the "submerged tenth." Socialism would do this by abolishing outright the competitive system of industry, and constructing on its ruins an idealistic co-operative society. *This might serve the purpose of protecting the weak, but it might cripple the strong.* The path of true progress must lie between the extremes of Socialism and Individualism, and must combine the competitive system of industry with some efficient form of group co-operation.

2—*Voluntary Socialism.*

The plan of "The Labor Commonwealth" achieves this end by rearing an institution which will compete with the competitive system of industry itself for raising the plane of individual life and for safeguarding race virility. Hitherto, competition has been the prime factor in reducing cost of production, and, incidentally, of lowering the standard of life. A system of co-operative labor colonies will limit present day industrialism for the purpose of *elevating* the standard of living and securing a fair wage for all willing workers. The difference is not merely one of *degree*. It is a difference in the *kind* of competition, for the co-operative colonies will consist of a group of laborers, united in a co-operative society to compete with the outside world.

It might be urged, with some semblance of justice, that the creation of such self-sufficing economic units would mean a return to the earlier forms of economic development. It would do away with the world market and substitute for the world-wide organization of industry a comparatively simple form known even to the Ancients. A sceptic might declare: "This is retrogression. You would have us go back to a form of industrial life familiar to the city states of Greece. You would have us unlearn the lesson of the Industrial Revolution, and carry us back to the realm of mediaeval feudalism, in which each locality produced its own necessities of life."

Such an argument implies that we have made great progress in economics during the last century, and that the adoption of the principle of economic self-sufficient units would mean the voluntary surrender of the gains already secured. I do not question the value

of the great achievements of the Nineteenth Century, but we must not be blind to the dangers of unemployment and poverty that seem to go hand-in-hand with advancing civilization. If we can devise a method of eliminating unemployment and reducing poverty to a minimum, we need not be troubled about any cry of "retrogression."

In fact, hitherto we have had no test for progress in economics. We have assumed, *a priori*, that progress is synonymous with complexity—complexity in economic organization, diversity in economic life and increase in products. Without attempting to question this hypothesis, we might be permitted to urge that complexity, *in and of itself*, is not progress, although it usually accompanies true progress. If progress is bought at the price of poverty, we might conclude that the world is losing in the transaction, and that it is time to revise our definition of progress. If the program of self-sufficient co-operative labor colonies be viewed as a cry of "back to nature," then it might be profitable to go back to the primal forms of economic organization in order to safeguard society and protect the citizen from poverty and unemployment. In short, *a system of labor colonies offers the opportunity of testing progress, of ascertaining the value of our complex economic system.* These colonies will prove, at the same time, the barometer and the safety-valve of our industrial system. They will indicate the amount of pressure on the "submerged tenth," and they will offer a "land vacuum" where such unemployed may earn their own living by the sweat of their brows. Furthermore, the labor colonies will measure the amount of true progress by showing just how many workers are discarded by our progressive economic system. It will

offer to these men, who are unable to adjust themselves to our economic system, a haven of refuge in self-sufficient labor colonies. If this be criticised as a retrogressive movement, then let us answer that we reserve our labor colonies only for those who have found no place in our progressive society—we apply the “natural” and primeval method of economic organization only when, *and only in so far as*, the highly developed modern economic system proves inadequate. We *limit* our progressive industrial system only in so far as it may be necessary in order to abolish poverty and eliminate unemployment. The “Labor Colonies” will prove to be the protective tariff wall for all laborers, for they will eliminate from competitive industry the wage-slaves who furnish the nucleus for the submerged tenth. To these unfortunate misfits of civilization they will offer the alternative of employment in a co-operative society that will insure to *each* member the necessities of life, and secure for the more thrifty and efficient some of the luxuries of life, proportionate to the economic surplus that they will have accumulated.

A chain of “Co-operative Labor Colonies,” united so as to comprise a self-sufficient economic unit, might be called a Socialist Community. We would then have the interesting experience of a Socialist Society *limiting* the so-called capitalistic system of industry, so as to secure a “living wage” and fair treatment for all laborers. There is, however, one large distinction between a system of Socialism and a group of co-operative labor colonies for the unemployed and underpaid. The first is coercive. It may be the beneficent coercion of a father in correcting an erring son, but there is no *acceptance* of these conditions by the individual judgment. The system of labor colonies, on the other hand,

is purely and solely a *voluntary* system—we may call it *Voluntary Socialism*—which the individual laborer may join or ignore.

Socialism may be compatible with despotism—as the German State Socialism of Bismarck, if fully developed, might prove to be. But *voluntary colonies* of laborers for improving their condition and safeguarding the standard of living of the entire nation is the true complement of political democracy. Such co-operative colonies, in contradistinction to any coercive socialistic organization of society, would form the cornerstone of an Industrial Democracy, existing by the side of our Political Democracy.



PART II.

THE INDUSTRIAL COMMONWEALTH

(A PLAN FOR THE SELF-REGULATION OF INDUSTRY)





## CHAPTER VII.

### INDIVIDUAL LIBERTY AND STATE INTERFERENCE.

#### I—*Laissez-Faire and Industrial Freedom.*

Several years ago, a member of the United States Senate, in the midst of a heated discussion on the Aldrich Currency Bill, dramatically announced that he held in his hand a list of names of men, numbering less than one hundred, who, by their enormous financial power, controlled the industrial life of the nation. How would the old theory of *laissez-faire* (transformed into the American expression, "let-well-enough alone") stand the test of practical application under such conditions? An industrial aristocracy is speedily becoming the master of our political democracy and may soon wield its powerful arm over America's free and independent citizens.

True, this aristocracy may evolve a system of benevolent despotism. The railroads and street railways, the natural monopolies such as coal mines and gas wells, the manufacturing establishments and even the food supply may be the vested interests of a coterie of generous men. They may give us libraries and colleges, churches and technical schools. Despotism is always measured by its artificial structures—its only strong claim for justification. True democracy is measured by its influence on *men*, and by what it makes of human beings. The splendor of the "Golden Age" of Rome, when Augustus Caesar was the benevolent despot of the civilized world, is a shallow display when compared with the glories of Democratic Athens in the Age of Pericles. For a benevolent industrial despotism may take proper care of our bodies, may supply our

physical wants, and (to a certain extent) our intellectual needs, but it will make slaves of freemen, even though the outward forms of democracy be preserved. Under such conditions individual liberty would consist of those rights which the industrial despots, in their beneficent wisdom, might see fit to bestow upon the mass of their countrymen.

With the modern tendencies to the concentration of capital and the consolidation of labor, and under conditions of modern life which are continually calling for mass play, a policy of "laissez-faire" would result in the coercion of the weak and the unorganized by the strong and organized. The state with an extreme "laissez-faire" policy would invite the rule of the clever and unscrupulous in the industrial world—just as in the savage state we have the dominion of the physically strong. An oligarchy resting on consolidated wealth would revive the Empire of the Caesars under the empty forms of Consuls, Tribunes and Senate, of Presidents, Governors and Congress. The principle of "laissez-faire," applied to modern economic conditions, would produce Caesars of finance who would not scruple to imitate the careers of the despots of the Eternal City. It would give to an association of financial magnates sovereign power—the *power to coerce* their fellow-men.

If the alternative to an extreme "laissez-faire" policy would be only Socialism, no sane man should hesitate to accept the latter. "Laissez-faire" means the coercion by irresponsible captains of industry, whose motive is personal profit. Socialism means the coercion by governmental authority (of representatives selected by, and responsible to, the majority of citizens). Accordingly, there must be more freedom under a Socialistic

organization of a community than in a trust-beridden country, controlled by a small group of capitalists. Somewhere between Socialism and the theory of "laissez-faire" must be the "happy middle course" which will secure the greatest freedom for the individual *at the present time*. Just where this course lies is the question dividing political parties not only in the United States but in nearly every civilized country.

This brings us directly to the question of State Interference—the most difficult problem of constitutional law, the question that continually vexes the mind of the political philosopher. It is the supreme problem of Political Science. The question how far the state ought to interfere with the conduct of the individual citizen, how far it should limit the scope of his interests, has ever been most important. But with the opening of the Industrial Revolution in the latter half of the Eighteenth Century, it has become also the most complicated political and social problem of modern times. Throughout the Nineteenth Century, the theory of "laissez-faire" struggled with the Socialist ideal of a minutely regulated commonwealth, and in the first decade of the Twentieth Century such questions as railroad rate regulation, the conservation of natural resources and the proper control of public utilities prove that questions of State Interference are uppermost in the minds of men.

Indeed, the history of the last century and a half shows repeated efforts made decade after decade to define the scope of State Interference. Each age endeavors to settle this question according to its own light, only to find it reversed in the succeeding years. For, State Interference must ever remain a problem for each generation to solve anew, guided by its own

light under the peculiar conditions of the times. There is no charmed circle around individual rights which may not be crossed by state interference. Liberty is not a static term but a dynamic concept—"a path of progress." Individual liberty is not a negative term but a positive power, and the states may do much to enhance that power by enlarging opportunities and removing the burdens from the less fortunate in the struggle for existence.

In any existing society, it is next to impossible to determine impartially the question of State Interference. Is any particular extension of government endeavor in the United States beneficial to the people and conducive to true individual liberty? The moment the question is put we have the diverse answers not only of unprejudiced scientists, but also the insidious attempts to befog the issue on the part of certain classes (commonly called the "special interests"). In any discussions of the tariff question in the United States or the Lloyd-George Budget in England, there are men, powerful money kings, whose interests will be directly affected by the decision. Naturally, strong pressure is brought to bear and the victory of reform is usually but a compromise. A complete program of social reform, affecting the amelioration of the condition of the poorer classes in the social order, must meet the powerful opposition of vested interests. We have but to recall the "June days" of 1848 in Paris and the establishment of the French Republic in 1871 to understand how difficult is the task of the social reformer in modern states. In short, wherever and whenever any steps in social evolution tend to jeopardize the profits or the privileges of our so-called upper classes there is a conflict which retards social progress.

While there should be a sphere of individual activity into which the state ought not to intrude, this is not a fixed territory, but must be determined on this question: What is it *necessary* for the State to do or abstain from doing in order to achieve, for all of its citizens, the greatest possible amount of true individual liberty? What is "true individual liberty"? Nothing more nor less than opportunity—the largest amount of opportunity for self-development, for bringing forth the best that is in each man, for "self-realization." The highest form of liberty is the opportunity given to the individual for as complete a development of self as nature will permit under any given set of conditions. As these conditions change, the concept of liberty must receive different interpretations from time to time. Ritchie, in his valuable discussion of the "Principles of State Interference," gives clear expression to such a view: "The State has not merely the policeman's business of stepping in to arrest the wrongdoer, not the sole function of ruthlessly enforcing the fulfillment of contract, whatever these contracts may be and between whomsoever made; but the duty of providing such an environment for individual men and women as to give all, as far as possible, an equal chance of realizing what is best in their intellectual and moral natures."

Ritchie criticises Herbert Spencer for his adhesion to a policy of extreme "laissez-faire." Spencer, he says, confounded two different results. "The other day," says Ritchie, "we were pulling down an old palace and an old prison; to-day we are building a school and a library." "Laissez-faire" is the proper method for securing the first, but may be altogether inappropriate in achieving the second. "Compulsory education," says John Stuart Mill, "may be regarded as in-

terference with the liberty of the parents, but it is interference in behalf of the child."

In the past, particularly in American history, the state has been viewed only as a juridical institution, organized and existing solely for the purpose of dispensing justice among many warring individuals. The chief function of the state was to settle disputes and guarantee free play for a struggle of existence in which "the devil takes the hindmost." Liberty was regarded as a state of non-interference with the plans and acts of "supermen" in industry and finance. Any attempt on the part of the state to protect the weak (who though weak in economics may be strong in intellect and morals) in the battle of life was regarded as a dangerous paternalism. Even poverty was extolled as a virtue, for did it not tend to bring forth hardy men and self-reliant citizens? Needless to say, such arguments were presented by those who were blind to the cringing forms that are the products of poverty.

Gradually, our views on state interference are being transformed. The state is no longer regarded merely as a legal system with an appendix, known as a police force, to enforce the decrees of the court. We know now that we can utilize the state as a power for the *self-development of society as well as for the self-realization of the individual*. We are convinced that the state, by regulating and controlling our industrial system, may offer us far more liberty than we have today. Herbert Spencer pictures the happy freedom of the savage, who owes no allegiance to Parliament, with its statutes and its senseless interference in the activities of the individual citizen. But a careful critic reminds us that the poor Englishman, living under a government ruled by many volumes of the revised

statutes, has far more liberty than the Australian Bushman or the savage of the South Seas, who are forever in fear of starvation and murder.

Not by casting off all the bounds of law, but by *increasing state activity* for the protection of our economic life and for increasing our common-wealth, can we approach true liberty.

And so we are learning that poverty, unemployment and all the conditions that are unfavorable to the physical development of man are *limitations* upon true liberty. They are forces of *coercion* that set bounds to the *self-development of the individual*, for they deny to him the opportunities for physical and mental growth.

## 2—*Minimum Wage and Maximum Price.*

The leaders in modern thought have come to realize that there are certain physical conditions indispensable to true liberty. Just in so far as a dweller of a city slum has been deprived of opportunities, which he might have had under a better social system, he is not free—he is a slave to the social system of his day. The frugal and industrious employee in a sweat-shop, who must run his machine or face his starving family, is not legally a slave. Legal slavery has been abolished by the Civil War. But he is in fact a slave—chained to his environment and a serf to his machine. He may not be the “vested interest” of some individual, but he is very often the chattel of our economic system, the possession of a metaphysical entity called “the corporation,” which, to use a pregnant legal phrase, “has no soul.”

Before the Civil War, the lawyers and merchants of the South invoked the Constitution for the protection of their vested interests, of slaves acquired by the sweat of their brows. It may have seemed necessary to make

slaves of a part of the population in order to secure the liberty of the remainder. This was the condition in the Athenian Democracy. The South, too, was convinced that its welfare and the liberty of the white population depended on the slavery of millions of negroes. And if there be those who are convinced that we must have economic slavery to-day in order to secure the freedom of "the better half," let them admit that it is slavery. Let us cease to hear the cry of captains of industry for the protection of their vested rights and vested wrongs by innocent appeals for the freedom of contract.

The negro slaves of half a century ago worked in healthful fields, received rations and secured rude huts for shelter. The white slaves of our city slums to-day—probably exceeding in number the Negroes before the Civil War—should be thankful for the immunities which they enjoy and of which the downtrodden negro was deprived. But the "submerged tenth" are not less slaves because for the fields of cotton have been substituted unhealthful factories, and, for the rations and huts of the negro, a pittance of wages. Such men are not free unless freedom be compatible with slavery. They lack the essential ingredients of liberty—*opportunity and the power to change their position*. Dependent on others for mere physical existence, how can they be free in the higher things of life?

Professor Simon Patten has constructed a valuable argument based on the principle that true freedom is incompatible with poverty. To him, the most hopeful sign of our civilization is the fact that we have a greater amount of capital, a larger surplus with which to satisfy our physical needs, than former ages had. Civilization and progress are the superstructures resting on the foundation of this economic surplus. The



beauties of art and the wonders of science are possible because we are freed, to some extent, from the deadening power of physical needs. In accordance with this logical proposition, the aim of society should ever be to increase the economic surplus and to endeavor to relieve the individual citizen, in so far as possible, from the tyranny of physical want. In the province of art, religion, morals and taste, the state should not interfere with the freedom of the individual; but, at the same time, in order to promote this freedom and make of it more than a mere hollow phrase, it must be the main function of government to increase the economic surplus in the nation and to secure the independence of the citizen from the material needs of existence. Socialism and *laissez-faire* must be judged solely from the point of view of utility. *That economic system is just, equitable and desirable which will enable the nation to realize a larger economic surplus, so distributed as to open better opportunities for the fulfillment of the higher desires and motives in the life of the nation and the citizen.*

Such considerations form the logical basis for the proposition to establish a "Labor Commonwealth" in the United States, with Federal co-operation, for the protection of wage-earners. It will serve as a haven of refuge for the unemployed, and will safeguard the standard of living of the entire community by automatically fixing a minimum wage in industrial life. Undoubtedly such a Commonwealth is of vast importance to labor and to the community at large. It will operate as a conservative force, preventing our population from sinking below a certain level. And yet, the establishment of labor colonies for the unemployed and the adoption of numerous "labor bills" in Congress and

state legislatures, however beneficent such reforms will prove, do not present a *comprehensive* remedy for the defects in our industrial system. They view our economic system from the standpoint of the laborer, and while the proposed remedies may be efficient, still they leave open the problem, in so far as the laborer is affected as a consumer, by the growth of trusts and the operations of consolidated wealth.

To put the matter concretely: *it is insufficient if we obtain merely employment and a minimum wage for the worker*, so long as we permit extra-government groups of capitalists to fix the *maximum price for the necessities of life*. Any scheme for securing employment and maintaining a fair standard of living among workers is important for the protection of the laborer and operates to safeguard the poor from sinking below the level of a wage-slave. But a comprehensive plan for industrial reformation must be something more than a mere conservative force tending to preserve the vitality of the worker and insure him a decent, living wage. It should throw open the doors of progress, and facilitate a union between preservation and advancement. It should aim to obtain for the laborer more of the rewards of industry, while retaining for him the high standard of life of a free and independent wage-earner.

How can this be accomplished? *What steps are necessary in order to secure for the wage-earner the benefits due him as a consumer over and above those he should receive as a producer?* Shall the State or the Federal Government attempt to regulate prices, to re-incorporate in modern industry the mediaeval system of minute regulations—the weight of bread, the quality of cloth and the price of grain? The problem is

far more than a question merely of economics. It looms up as a serious problem of politics and opens up the whole question of state interference.

What are the necessary steps in the establishment of a middle course that will guide us safely past the dangers of a society organized for profit and stimulated by greed, and a system of state coercion that may prove to be only another name for slavery? The general principle underlying an organization that would avoid these two extremes must be analogous to what has been outlined in Part I. We must create an institution which will compete with present day industrialism in order to reduce the cost of living; *we must create a People's Corporation which will endeavor, constantly, to decrease the cost of the necessities of life—which will automatically fix a maximum price for consumers whereas the Labor Commonwealth will secure a minimum wage for laborers.*

### 3—Liberty and Coercion.

Most economists agree that we must have some form of regulation of our industrial system by the sovereign power in the nation, even though such government regulation implies the exercise of coercion by the state. On the one hand, we have those who would have us destroy trusts, dissolve huge corporations and reduce industry to the old competitive basis. This is a kind of *negative regulation* that is favored by those who still cling to some of the formulas of "laissez-faire." On the other hand, "Progressives," who claim to be advanced students of modern industrialism, demand that the government shall not destroy large combinations, but control and regulate them by government commissions, supervisory bureaus and the issuance of

licenses. (Such a view of positive regulation is in harmony with the history of industrialism prior to the publication of the "Wealth of Nations" and is voiced usually by those to whom a "Protective Tariff" is acceptable.) Socialists are the most radical "progressives," for they would have us go the full limit of positive regulation, so that our policy would include not only control of our industrial system but also *ownership* and *operation* of all the social tools\* of production.

The theory of the Single Tax presents a third view of state interference that ought to have a strong appeal to all Americans. The followers of Henry George argue that by their peculiar method of taxation the whole industrial system will become *self-regulative*. We are not now interested in the correctness of that conclusion. But it gives us an important concept—the *ideal of a society controlled and regulated, automatically, in its industrial activities*. This is a view of self-regulation far removed from political coercion and implying a method of voluntary adjustment that should obtain the sanction of those who fear the coercive power of the state. Irrespective of whether we agree or disagree with the principles of the Single Tax, this attitude on the question of state interference is, I am convinced,

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\* Some Socialist leaders use the term "social tool" to impress the reader with the fact that "collective ownership" will not include "a large number of purely individual trades and callings which would continue to be exercised by private individuals or concerns in competition with each other—so long as their operation does not involve the exploitation of labor." (Hillquit) This definition would imply that the Socialist State would take over all modern machinery and all the costly tools that are part and parcel of the factory system, while an unimportant fringe of *individual* tools would be permitted in the hands of independent carpenters, cobblers, plumbers, etc.

the safe middle course that retains all that is valuable in both negative and positive state regulation.

From one point of view, indeed, there is a strong objection that may be urged against extensive state interference. It is the argument that has been used repeatedly against Socialism, when we are told that Socialists would simply substitute the coercion of *majority rule* for the tyranny of captains of industry. Fundamentally, this argument is the stronghold of Anarchism, which denies the right of coercion to *any* group of people, however large.

The philosophy of Anarchism, however grotesque its manifestations may be among ignorant devotees of high sounding phrases, has at least one strong logical basis. Thoreau and Tolstoi both repudiated the right of taxation on the part of the state; and, undoubtedly, from the point of view of logic, they were correct in the deduction that they could not justly be forced to pay taxes to a state to which they had refused to swear allegiance and whose benefits they were willing to forego. The logical anarchist will say: I was brought into the state by birth and was made a member of the community without my consent. Must I then forever be denied the right to shift for myself? Must I remain an unwilling subject of a state whose advantages I do not seek? Have you the right to force me to pay taxes to support an institution from which I am only too willing to withdraw?

It has become fashionable nowadays to laugh to scorn the social contract theory of Rousseau and his followers, and to assume that government must be independent of contractual obligations on the part of its subjects. It is true that modern governments are not the creatures of a contractual relation, nor will history

support any such claim. But is it not possible to establish a community through a social contract, voluntarily entered into, by an aggregate of individuals who desire to establish a new Commonwealth? Such a contract may never have been drawn up in the past, but it is conceivable that communities, as *voluntary institutions*, may play an important part in the future of our race. The government of to-day, in so far as most of its subjects are concerned, is an involuntary superstructure far from the ideal "consent of the governed," but there is always the possibility of a great community formed as a *voluntary* institution and resting on the basis of consent of its members. At present, men are born into the political state and are tied to it as subjects and citizens, irrespective of their opinions. Naturally, therefore, the conservative element in the population must ever look with suspicion upon any extension of state activity and authority over the fields formerly left free for individual initiative, since such state interference appears as an *outside force* to limit the operations of the citizen. There will always remain a party strongly opposed to the extension of government activities, so long as the state is viewed as an organism which may grow by feeding upon "individual liberty."

The Industrial Commonwealth, that will operate as a People's Corporation for controlling and regulating the cost of living, must be a voluntary institution, free from the taint of government coercion. It will not assume exclusive control of all industry and economic life (as Socialism would have us do), but it will compete with individual initiative itself for the purpose of establishing a certain reasonable *maximum price* for the necessities of life.

*In conclusion, let us realize this vital distinction be-*

*tween the Social Commonwealth and the theories of Socialism and Anarchism. The latter refuses to sanction any organization except one that is built on the principle of absolute voluntary co-operation. Its opposition extends not only to Economic Socialism but to the smallest political activities of the State, because the latter is not a voluntary institution.*

*Socialists go to the other extreme and demand that the function of the State—the Political Institution—shall be extended until it includes the major economic activities of the inhabitants. The Social Commonwealth presents the middle course that would utilize that part of the truth which is in Socialism and Anarchism. We accept the State as a political necessity—although we shall endeavor constantly to keep its coercive powers within limits compatible with freedom and democracy. But we shall construct a new institution—a voluntary co-operative association—to safeguard the economic interests of the people.*





## CHAPTER VIII

### SOCIALISM AND THE ECONOMIC SURPLUS.

#### I—*A Socialist State.*

It is a fitting matter for curious speculation that after half a century of agitation, discussion and modification, Socialism has never yet presented a practical scheme comprehending a consistent policy for achieving the objects of its existence. Some see in this circumstance the impracticability of Socialism, which, they declare, must ever remain an unrealizable ideal—a pleasant dream. Yet, if we examine carefully some important economic factors, we must conclude that Socialism may easily become an accomplished fact in one or more of the United States. Furthermore, it may be put into practice in some portions of our country in the near future, so that if we have any quarrels with Socialism we must battle *now* with the ideal and with the dream, and not wait until circumstances shall have made the dream a reality.

To understand that Socialism may readily become an accomplished fact, let us suppose that one of our multi-millionaires becomes a strong adherent of the Socialist movement—not an improbable thing in this day of "Parlor Socialists." Our Kings of Finance are seeking for larger provinces in which to exercise their powers. Having taken possession, to a large extent, of the economic world, they are seeking for other worlds to conquer. As a consequence, we have not only the "Oil King" and the "Steel King," but likewise the "Hospital and College King" and the "Library King." Indeed, one financial monarch, at his death, left an estate which

is administered, practically, as a social reform fund. Is it too much to expect that some youthful conqueror in the world of finance, a man in whom a high love for humanity will be united with a spirit of achievement, will, ere long, grasp the opportunity to make himself the Napoleon of Socialism? Assuming that our young hero will have at his disposal a fortune of two hundred million dollars (\$200,000,000), secured by lucky ventures in the field of finance, or by becoming the heir of several of our richest trust magnates, he would have sufficient capital to destroy the capitalistic system in several states. With carefully laid plans he could, in a short time, buy outright all the real estate and all the machinery in any one of the following states:—Wyoming, Nevada, Arizona and New Mexico in the West; or Vermont, Delaware, and Florida in the East.

If we assume that such wealth and power would not serve to instill a love for luxury and self-satisfaction, but would act rather as a spur for the realization of Socialist dreams, our Napoleon of social reform might, by one generous donation, transfer all his wealth to the state. The result of such an act would be the institution of a Socialist State, in absolute possession and control of all real estate and machinery within its borders, and having the power to regulate the entire industrial system of the state, through the action of the legislature and governor. Such a community (after the adoption of woman suffrage) would represent the largest amount of democracy conceivable, since it would mean the union of political and social democracy. In true Socialist fashion, we might expect the state to apportion work, and the legislature to prescribe the hours of labor and the methods of payment.

We might then have the spectacle of the gradual

introduction of communism, for the demands of the populace for "equal pay" would soon be conceded by a subservient legislature or an equally subservient Board of Directors elected by the Citizen-Shareholders of the State. But, at this time, we are not concerned with the results of a communistic scheme, and will consider the consequences of the establishment of a Socialist State, irrespective of the details and regulations as to wages and salaries.\*

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\* While there is no inherent difficulty in the establishment of such a communistic scheme, the obstacles against which such a state would have to contend afterwards are quite another matter. First, it would alter the very principles of our democratic institutions, and bring vividly to mind the essential difference between communism and democracy. The former aims to level all ranks. It recognizes no class distinctions and looks forward to a time of *equality of condition*. True democracy, on the other hand, while it places the stamp of disapproval on invidious class distinctions, recognizes the true worth of the individual. To do this it must classify men with respect to the rewards offered for industry, loyalty and ability. Democracy aims primarily to give each man *an equal opportunity for self-realization*, leaving each individual to work out his own salvation. It concedes that the valuable prizes to be won in the race of life should go to the strongest and the swiftest, but it seeks to obtain for each man a fair start and to remove from humanity the handicaps of special privilege. In short, while *communism aims at equality of condition, democracy desires simply equality of opportunity*.

It has been suggested that there can be no true equality of opportunity, for the rich man's son always has opportunities that are closed to one who springs from the common people. We might answer that certain conditions—the life of ease and luxury that goes with large wealth—while they may appear highly desirable to those who must toil for their daily bread are not always conducive to the best interests of the individual. Instead of presenting opportunities in excess of those offered to the middle classes, they are often unfavorable conditions which the rich man must live down. In short, we cannot establish *absolute* equality of opportunity for the very good reason that what may prove to be opportunities for one man are dangerous stepping stones for another. Oliver Goldsmith was unable to do any work of value so long as he lived in conditions of ease and comfort, but when the pinch of poverty forced him to exert all his efforts for the earning of a bare livelihood, he wrote his masterpiece—the "Vicar of Wakefield." On the other hand,

However beneficent such a State Socialism might prove, it would still be open to the serious objection urged by Thoreau and Tolstoi. From the point of view of logic and philosophy, such a state would be only another form of tyranny and despotism, for the state would exercise *coercion*, made necessary by a division of its labor among individual citizens—many of whom might not be satisfied with their assignments. Recently, we have had a spectacle of such coercion that should make us pause before leaping headlong into every scheme of State Socialism. Not very long ago the workingmen on the French railways, that are owned and operated by the state, went out on strike, and the government had the alternative of utilizing the methods of captains of industry in breaking strikes or of coercing the workingmen in order to maintain the public service. The difficulty was aggravated by the fact that the Prime Minister, Briand, was himself a Socialist and, presumably, in sympathy with the workingmen. Yet, as the head of the Government, he felt bound to use all the powers of the state—even the force of militarism that is so distasteful to Socialists—in order to

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Frederick the Great would probably never have gained his surname but for the fortunate fact of being born the son of a king.

We cannot, therefore, speak of absolute equality of opportunity—for, indeed, this might be equivalent to equality of condition. But there should be a certain *minimum of opportunity* that must be equally accessible to all, if we are to have a true democracy. Some may have conditions more favorable, but *all* must have a certain measure of opportunity if democracy is to be more than a mere name; and such opportunities would include equal access to education and the assurance of employment at a living wage. We have no right to restrain a father from adding, for the benefit of his children, other opportunities gained by a life-time of effort and toil. But we must undertake to supply all the children of a democracy, in equal measure, with the elementary and necessary opportunities for a valuable life.

keep open the means of communication for the French people. It is the irony of history that the hand of a Socialist should be employed to suppress a large workingmen's organization and to utilize coercion in the operation of a state industry. And yet it is appropriate that a Socialist, though unwillingly, should illustrate the coercion that a state must occasionally undertake in business enterprises, if it would avoid disorganization and protect society from the tyranny of some small group of workers. At this juncture, the argument of philosophical anarchists, like Thoreau and Tolstoi, gains force, since their objections go to the very nature of a state, which enforces the duty of a subject without questioning whether or not the individual desires his citizenship. In short, so long as progress is made by *voluntary co-operation* among laborers and consumers, so long as the individual has the choice of joining or ignoring the voluntary co-operative groups, there can be no objection to the valuable contributions that may be secured by the elimination of wasteful competition and the co-ordination of industry; but the moment that such co-operative efforts are superimposed by a sovereign state, that can and will enforce obedience and subordination, then such involuntary co-operation may be utilized as the instrument of tyranny—and for the tyranny of a Czar and a trust magnate we shall substitute the despotism of the majority. This is the message of philosophic anarchism, and it is a message that must carry weight with Americans who are so jealous of individual liberty.

## 2—*Profit: The Essential Element in Industry.*

A Socialist State, founded by a master mind in social reform, would present the attractive

features of an idealistic philosophy—in spite of the theoretical objection urged heretofore. We are told that Socialism is not merely an economic institution but a philosophy of life, in which the never ceasing chase for profits is eliminated, and the life of the individual is fostered in an environment of art, social service and high ideals. Social service and communal appreciation instead of an insatiable craving for profits will supply the motives for social activity.

Briefly stated, therefore, a Socialist State presents: (1) The possibility of the elimination of economic waste, by introducing economies inherent in monopoly. (2) The regulation of the labor supply so as to avoid unemployment, and secure for each worker the *full* reward of his toil. (3) The amelioration of the condition of the poor by securing for all a high standard of living and time and opportunity for healthful recreation—made possible by the economies of monopoly and the reduction of the incomes of the present idle rich. In short, Socialism would institute a system of co-operation in a monopolistic organization of industry that would serve as an introduction for the equalization of wealth.

In a superficial view, we might be tempted to give the stamp of approval to the organization of a Socialist State, controlling all the real estate and means of production within the state, and managed by the elected representatives of the people—each citizen-shareholder being entitled to one vote and one equal share in the profits of the Socialist State. However much we may disagree with the principles enunciated by individual Socialists, however much we may question the practicability of certain details, yet we must be fairly good Socialists if we give our assent to the organiza-

tion of a Socialist State similar to the one here outlined. For Socialism is neither more nor less than the democratization of industry as a necessary supplement to political democracy. If we approve a proposition in which every citizen, desiring the privilege, may have an equal voice in the management and an equal share in the profits of all economic activity of the state, we have the essence of Socialism, and we can easily relegate all questions of detail to the future. In short, if we disapprove of Socialism; or if, accepting some of its principles, we yet reject the program; or if we seek for a *modified Socialism* (that shall meet the objections raised by Thoreau and Tolstoi), we must successfully attack the concept of a Socialist State—like that founded by some Napoleon of social reform—organized to manage and control practically all the industries of the state for the equal interest of all its citizens. Let us examine a few practical difficulties that such a Socialist State must encounter.

Of all the indictments brought against the competitive system, none has been emphasized so much as the craving for profit, which is at the basis of our present day economic activity. Socialists and social reformers have vied with each other in condemning the unscrupulous greed of the "bourgeoisie." Yet, admitting the seamy side of the chase for profits, should we blind ourselves to the benefits and advantages? The Socialist argument against an industrial system organized for profit consists, usually, of a series of rhetorical questions. Would Shakespeare have done more effective work if he were paid the munificent dividends of our modern successful playwrights and theatrical managers? Was Milton paid more than a few paltry pounds for the glorious "Paradise Lost"? How much did

Michael Angelo receive for his inestimable work? From "unanswerable" arguments like these our Socialist friends conclude that industry can be organized and successfully carried on without a system of profit as its basis, since the highest work of man did not demand a money stimulus.

Nothing, bearing the stamp of apparent truth, could be more fallacious. One illustration ought to suffice to demonstrate the unwarranted deduction drawn by Socialist agitators. A is a boy, young, intelligent and ambitious, who is very fond of debate and literary work. He is the secretary of a debating society, and regards every assignment for literary work as a distinct reward. And yet, in spite of his ambition and his sense of duty, he avoids, as much as possible, the drudgery of secretarial work—the mailing of notices, collection of dues and similar tasks. In the first case, the work is more difficult, takes more time and taxes all his mental strength while in the second case the labor is simple and can be performed in a few minutes of routine work. But the first satisfies a deep craving of his nature, while the second implies a drudgery for which he feels himself unfitted. The great works in life—the tasks that receive the honorable respect of mankind, "the paths of glory" even though they "lead but to the grave"—do not demand the impetus of profit. From Moses to Napoleon and Lincoln the great figures of history have done the world's work without thought of economic rewards.

It is the *undesirable* labor, the routine work that we dislike so much, that demands material compensation. Were you to place a genius like Napoleon Bonaparte in a factory (even though you assured him a relatively high standard of living), he would probably re-



fuse to work merely for the honor and glory of his fellowmen. He would demand economic returns and a saving fund which would, in a few years, free him from the necessity of factory life. He would say: let me work along lines that appeal to me and perform tasks of large significance, giving play to the thoughts of my mind and the promptings of my heart, and I will joyfully labor without the necessity of economic reward. But if you want me to assume duties that will restrict my intellectual development and cramp my energy, then you will have to force me to work because of my economic needs, because of the bread and clothing that nature demands. Furthermore, I will desire an economic return commensurate with my services, so that I may have the hope of being released from undesirable labor in the future (by saving an economic surplus that will make me independent of factory life).

In short, the system of profit presents a motive not so ideal as that of social service, but it is an indispensable recourse when there is work to be done which is unpleasant and unattractive. The question in every Socialist State will be: who will prepare the table for the banquet of the comrades? Can we obtain a sufficient number of such volunteers as compared with those who generously offer their services as after-dinner speakers? We need not worry about politicians, orators and writers (both good and bad) under a Socialist regime, but what must give us concern is the necessity of providing for a sufficient number of farmers, cooks and tailors. Service that gives large play to the imagination and offers opportunities for mental development and service that compels the respect and admiration of our fellowmen may be independent of economic compensation. A different age may value the services of

a cook and a tailor as equivalent to that of a professor and a musician. But even under such improbable conditions, the *average* cook or tailor would prefer to do other work or no work, while the professor or musician would glory in activities that present manifold opportunities for the satisfaction of the higher cravings of life—opportunities that must be denied in many other callings because of the very nature of the work. For example, to-day, you could hardly induce a Professor in a University, receiving a salary of five thousand (\$5,000) dollars, to exchange his position for that of a buyer in a department store with a salary twice as large. We may, therefore, conclude with this general principle: *so long as there is unpleasant work to be done, we must have some system of profit to enable the worker to hold the expectation of achieving freedom from such unpleasant work in the days to come—unless, indeed, we were to adopt a system of coercion analogous to the military service of continental Europe.*

### 3—Profit: Indispensable for an Economic Surplus.

But there is a much stronger argument for retaining certain features of the profit system. Some method of economic reward is necessary so long as there is an ample supply of unattractive work to be done; and some such provision becomes indispensable in order to secure an economic surplus in the community. We have no assurance that the economic surplus, indispensable to a high civilization, would be maintained in an industrial society organized on a social democratic basis. In such a state it would be to the interest of each individual to appropriate the fruits of present day activity, while there would be no corresponding selfish motive for insuring a replacement fund for capital. For example,

assuming that the Socialist State shows a net profit (whether in products or in money) of \$10,000,000 each year, we believe that the citizens would be inclined to divide up the profits equally each year, rather than to abstain from profits for the sake of future increased returns (by continuing the surplus in the business of the state). Thus, with a membership of one hundred thousand citizens, each member would probably prefer to receive the \$100 to which he would be entitled, as an equal shareholder, rather than to console himself with the hope of problematical increased returns in the future. Each individual citizen will feel that his future as a shareholder and an employee of the Socialist State is assured, and the necessity for providing for the future will not seem imperative. The motive for saving, therefore, will diminish, and the added income derived from being a shareholder in a Socialist corporation will mean an opportunity for a higher standard of living rather than the accumulation of savings by the poorer classes. In the tropics, where nature supplies the necessities of life with a lavish hand, we find that man does not bend all his energies for the accumulation of surplus goods, because he knows that in the future, as in the past, the luxuriant plant life that surrounds him will secure him from starvation and suffering. A Socialist State that will assure all citizens of work and comfort may become a hot-house for the culture of men and women who will take little interest in the important work of providing for future generations. Even assuming that the Socialist corporation will not adopt the principle of equal pay for all workers, but will grade salaries in accordance with the value of the services rendered by its employees, the latter will have no strong tendency to save, since the

Socialist State will be regarded as the "all-providing father."

With all its shortcomings, our competitive system, because of the large fortunes which it makes possible, insures (after deducting the amount necessary for a high standard of living) the maintenance of a large surplus in the hands of people who can have no further use for their capital besides reinvestment. But in the democratization of industry, with the incidental elimination of large fortunes, there will be practically no surplus of individual property. The relatively small equal dividends, received by each citizen from the business of the Socialist corporation, will be expended, for the greater part, in the pursuit of a higher standard of living—since the fear of want will be removed by the knowledge that the citizen is a member of a Socialist State that will supply work and the material necessities of life. There will be no strong motive for the accumulation of fortunes for the benefit of heirs, since every father will feel that his children will find proper places in the Socialist State. An economic surplus for the replacement of capital and the increase in the total of investments depends, almost exclusively, on two factors:—(1) The accumulation of savings by the relatively poorer classes. (2) The investments by the wealthy classes, after the satisfaction of a relatively high standard of living.

Neither of these two motives can operate effectively in the Socialist State, since the necessity for saving on the part of the poor will be greatly decreased, and there will be none so rich (not even the more important salaried officials) that would be able to accumulate a substantial surplus after satisfying the

diverse wants of an enlightened world and the higher standard of living that Socialism would promote.

In fact, the preservation and increase of the economic surplus is the great problem that confronts every Socialist scheme. We cannot depend upon the accumulations of individuals since the very institution of economic equality makes impossible large savings by individuals. On the other hand, an industrial system organized for profit compels economy and fosters a spirit of thrift that is essential to the accumulation of an economic surplus.

Hitherto, we have considered only the possibility of the accumulation of an economic surplus from the savings of individual citizens of the Socialist State. But is it possible for the state as a corporation to accumulate an economic surplus that will be part of the *public* property? This would be possible only if we could find adequate means for securing economical management of the Socialist corporation, so that the economic surplus might be increased instead of wasted. In our modern competitive system, coincident with the enormous waste of life and property, we have the evolution of highly effective methods for securing profits in any particular business, due to the keen industrial struggle which compels the utilization of the most effective management in that industry. Unfortunately, the struggle for profit in any particular business often has wider effects of a detrimental nature—our oil kings may pile up huge profits in their industry at the expense of some smaller and less organized business. The crucial question is: can we obtain in a Socialist State methods, equally effective, which will, at the same time, be free from the wastes of competitive industry? I do not see how this can be achieved except through the *recogni-*

*tion of profit as the end and aim of the managers of the business.* Unless profit be made the central feature there cannot be a strong motive for profitable management in any industry. There are many activities in which profitable management is only of secondary importance—as in handling the police force of a city. In such cases, we may have splendid management without reliance on the factor of profit. But where we consciously seek for an economic surplus (where profit is uppermost), we must stimulate the energy of the managers by offering opportunities for sharing the profits due to economical management.

In short, the Socialist corporation would feel obliged to pay a portion of the profits to the active managers of the state's business—a practice that must be distasteful to Socialist thinkers. Furthermore, the citizen-shareholders, by majority vote, would probably select the managers—to suppose anything else would be to eliminate the democratic feature of Social Democracy. Accordingly, we might have a repetition of political struggles for offices. And if, as may well be the case, such offices should prove lucrative, the whole machinery of political corruption and boss rule would be transferred to the more profitable field of the Socialist corporation.

In other words, if the managers of our Socialist corporation are to receive merely moderate wages—in true Socialist fashion—we may have a relatively honest administration, but without any guarantee for profitable management. On the other hand, we may achieve true economic success by offering liberal rewards to the chief officers of the Socialist corporation in proportion to the dividends declared, but this would undoubtedly result in "machine rule" based upon corruption even

worse than the political boss rule of to-day—because larger money interests would be at stake.

If the choice lies between efficient dishonesty and honest inefficiency, the troubles of a Socialist State are visible yet deep seated and fundamental, while the evils of unprofitable management, *for the community*, are not eradicated.\*

#### 4—*The Inertia of Monopoly.*

A Socialist state presents a danger greater than any question of profit. The great evils inherent in monopoly present themselves. It is true that a Socialist monopoly, controlled by the equal votes of citizen-shareholders, must differ radically from the grinding private monopolies of our present economic system. There will not be such a strong motive for extracting the utmost from the consumer, and taxing the product with the highest possible price. But it must still retain the *inertia* of monopoly—the opposition to change, and the acquiescence in existing forms of industry. Thus, it is generally known that trusts sometimes suppress valuable patents even at enormous cost to the business, in order to avoid the necessity of making the business conform to the expensive improvements that such patents would require. Charges have been made that a certain telephone company (which is a monopoly over large and important districts) has bought up valuable patents, which it refuses to utilize for the benefit of the public, because it would mean a re-organization of a large portion of its business. In the non-monopolistic industries of our day, however, competition constantly forces the elimination of old methods and outworn

\*For a discussion of the value and importance of an Economic Surplus, see Chapter VII, section 3, and the comprehensive work of Professor Simon Patten.

machinery. Like the evolutionary process, it eliminates from industry the costly ways of doing things, and constantly aids in the survival of machinery and methods that are found most fit in the industrial struggle.

The effects of competition reach even farther than to mere methods of production, for the struggle for survival of the fittest is most pronounced in the field of consumption. Our present economic system has been severely criticised because of the constant economic waste that it entails, particularly in the useless advertisements that extol the virtues of various brands of tobacco, whiskey and breakfast foods. While such criticism contains a large element of truth—as evidenced by the fact that the great economies held forth in the organization of a trust are the elimination of useless advertisements and competing sales-agents—we must ever remember the other side of the problem. The whole science of economics depends on the postulate that the increase of wants and the greater satisfaction of human needs are most desirable conditions and form the index for advancing civilization. Now, our traveling salesmen, the advertising columns of our newspapers and magazines and even the unsightly bill posters are of enormous economic value in stimulating wants and evolving new human needs.

We may, of course, adopt the philosophy of Thoreau, and conclude that man should have but few material needs, and even those such that may be easily satisfied in primitive fashion. But so long as we accept the fundamental principle of economics, that *civilization and enlightenment imply the increase of desires and the expansion of human wants*, we must concede that advertisements have a true value in life. Now, in an industry that is controlled by a monopoly it is usually



profitable to eliminate a great deal of advertisements of particular brands, because, if the monopoly has control of the entire industry, the profits will still reach the same pockets whether the public purchase the poorer or better quality of goods that are placed on the market. For example, in the organization of the Whiskey Trust, it was found profitable to dispense with the advertisements for a number of brands, since, relying on the whiskey habit already existing, the promoters felt that they would not diminish the demand by neglecting to push one brand in competition with others which they controlled.

It is true that large corporations usually advertise several brands. The National Biscuit Company, for example, expends large sums of money in bringing to the attention of the public not only "Uneeda Biscuits" but also "Graham Crackers" and other brands, but this is done only to extend the general demand by putting forth new goods or preserving the old demand which might otherwise tend to decrease. In few cases, probably, is it applied for the purpose of inducing the public to prefer the better brand at the same price, since the profits may be larger from the poorer grades. In short, *a monopolistic organization of an industry, whether public or private, furnishes no sufficient incentive for change and economic improvement, nor for increase in the diversity of the products for consumption*, while our present day competitive system—and I am not here endeavoring to defend its many evils—does provide for such change and improvement, however ruthless and wasteful its methods may be.

### 5—*A Social Commonwealth and Industrial Democracy.*

As the prime objection to the competitive system of

industry, however regulated by law and modified by moral rules, centres around the problem of poverty and unemployment, so the insuperable difficulty with a Socialist organization of industry is the lack of any guarantee for the maintenance and increase of the economic surplus and the dangers inherent in the inertia of monopoly. The vices of competition dispose us to look with favor upon the concept of a Socialist organization of industry, while the defects of Socialism can be eliminated only by the introduction of some system of profit, which is bound up with the modern competitive system of industry. It would seem, therefore, that we are between the devil of competition and the deep sea of Socialism, unless, indeed, we can evolve some method of organization that will retain the virtues of each without the disadvantages that they entail at the present time. Such an ideal can be realized just as soon as we recognize one fundamental principle in every attempt to reform society and reorganize industry. We can evolve a Social Commonwealth that will represent the highest form of co-operation in industry; we can create a Socialist corporation which will not share the wrongs inherent in monopoly. *But this corporation will exist not to the exclusion of, but in competition with, individual initiative.*

*This principle is the keynote of a Social Commonwealth. It differs from Socialism because the latter would monopolize all industry and level all ranks. It combats the Socialist ideal of a coercive institution, forcing an unwilling member of society to become a subject of a Socialist State. On the other hand, a true Commonwealth must abhor the state of "free competition," with the consequent slavery of the unemployed and underpaid. A Social Commonwealth would in-*

*dorse the Socialist argument for co-operation and regulation in the economic world, while it would recognize the benefits of competition due to the incentive of profit and the rewards of finance.*

A Social Commonwealth may be defined as a voluntary social democracy—a co-operative organization of industry in competition with individuals who do not participate in its activities. From one point of view, therefore, the Social Commonwealth represents a thorough regulation of the present economic system by the introduction of the element of voluntary co-operation on a large scale in competition with individualism. A Social Commonwealth may be pictured, likewise, as a modified Socialist State, a Commonwealth that will extract the good from Socialism and cast off its evils—the lack of an economic surplus and the inertia of monopoly—together with the waste and the barbarism of our competitive system.



## CHAPTER IX

### THE SINGLE TAX AND THE POPULATION VALUE OF LAND.

#### I—*The Single Tax.*

There is one reform program that proposes to establish true individual liberty for all time by the use of the taxation power of the state and nation. The Single Tax would have us utilize the taxation power for the purpose of appropriating, for the benefit of the public, the full rental value of all land. The followers of Henry George do not attempt to introduce a complicated system of politics or economics to cure the ills of present day industrialism. Nor do they aim to extend the powers of the government beyond the well-established limits of the present time. They simply advocate the utilization of the taxation power of the state, which is unlimited, for the purpose of securing a more equitable distribution of wealth and the abolition of poverty.

This is not the place for a presentation of the theory of the Single Tax and a discussion of its benefits. Yet the theory is so plain and simple that a few pages would suffice for a discussion of its advantages and a consideration of the difficulties that must be encountered before ultimate success. One principle can be appreciated by all: if the cities of New York, Chicago, Boston and San Francisco were to-day the absolute owners of all the land within their limits, the people of these municipalities would be receiving benefits that are almost inconceivable to us to-day.

The New York Tax Appraisers estimated the value of all the real estate in the City of New York in 1912

(exclusive of corporate franchises and privileges) as \$7,297,579,651. The value of the land, exclusive of all improvements, is \$4,563,357,514, or nearly twice as much as the value of all the improvements and buildings placed upon the soil of New York City. The rocky island of Manhattan is the most valuable portion of this land, being assessed, in 1912, in the sum of \$3,127,852,473, exclusive of all improvements. Three hundred years ago this island was purchased from the Indians for trinkets worth twenty-four dollars. Can you imagine the benefits that would have followed if the Dutch settlers had firmly resolved to hold all the land of New Amsterdam as *public property*—as an inalienable estate, no part of which would be sold, but all lands would be apportioned among individual citizens, who would be charged the full rental value of their respective holdings?

Instead of many petty landlords, grown rich by the growth of the metropolis of the New World, we would then have only one landlord—the City of New York. This city, by retaining the ownership over the barren island of Manhattan, would be richer to-day by over \$3,127,000,000, *without any extra effort on its part*. Estimating the rental value of the land as 6% per year, New York City would be receiving an added annual income of nearly \$188,000,000.

There were about five million people resident in New York City in 1912, so that the income derived from being the landlord of Manhattan Island would enable the municipality to expend on each inhabitant—man, woman and child—nearly \$38 annually. If we estimate five persons to a family, the City of New York might have been able to offer an annual gift of \$188 to each of its one million families. In other words, it would be

able to dispose of its rent, obtained from its "landlord interests" in Manhattan, by giving to every family in the entire City of New York (including Brooklyn, Bronx, Queens and Staten Island) more than three and one-half dollars *per week*. This would be sufficient to make involuntary starvation an impossibility. If we add the income that might have been derived from reserving in the municipality the title to the lands of Brooklyn and the other boroughs of New York, we could to-day proudly refuse all the philanthropic offerings of the great and the belated sacrifices of captains of industry for the benefit of the common people.

We would go a long way in the abolition of poverty and the creation of golden opportunities (by increasing educational facilities, offering free medical aid, etc.) for the development of a "free city."

This is a story of "what might have been" not only in New York but in every American city. There is a method, however, which would enable us to secure all these benefits in spite of the lack of foresight of our forefathers and the sins of ancient land grabbers. The Single Tax program means, virtually, the appropriation of all real estate, exclusive of improvements, for the use of the public, so that to all intents and purposes the state would be the owner of all land, since it would tax out of it all the rental value.

The *result* of the institution of the Single Tax seems highly desirable. It is just, proper and expedient that the public, who by their presence and labor create and increase land values, should be the beneficiaries. The present system is a piece of stupidity, for *it permits the landlord to profit from the necessities of the very public that make his land valuable*. We can have no quarrel, therefore, with those earnest workers who seek to

remedy the mistakes of former ages by securing for the benefit of the public the land values created by the people themselves. Only when the followers of Henry George attempt to utilize the taxation power of the state for the purpose of confiscating property, we have the right to object to the *method* employed for the realization of their ideal.

Single Taxers do not propose to have the public take title to all the real estate (exclusive of improvements). But they do propose to achieve a similar result by utilizing the taxation power of the state for the purpose of confiscating property values. Joseph Fels, probably the most influential leader of the Single Tax, has a large soap business in Philadelphia worth several millions of dollars. Let us assume that to-day he disposes of all his holdings in the soap business, and, after the sale, invests all the proceeds in vacant lots of his home city. Immediately thereafter, the legislature of the State of Pennsylvania enacts a law taxing land to its full rental value. As a result, the title deeds of Mr. Fels become valueless and he has only the satisfaction of having advanced the cause. To anyone but Mr. Fels the loss of a whole lifetime of effort might prove too high a price for the triumph of the theories of Henry George. Furthermore, the loss would have fallen on the previous holder, if Joseph Fels, instead of buying vacant lots, had purchased a newspaper or a department store. Now, to the ordinary business man and to the hard-headed voter such taxation implies confiscation, and no amount of specious argument will prove the contrary. It may be a necessary confiscation—even as the emancipation of the negroes in the Civil War—but it does involve the taking of property from those who have



present day values and utilizing such property values for the advantage of the entire public.

Henry George, starting from the premise that land belongs to God alone, deduces the startling conclusion that since land cannot, in its nature, belong to individuals, therefore, anyone who appropriates it is virtually a thief, and should not receive any reward when he is forced to return the land to its rightful owner—the community. Furthermore, since the *receiver* of stolen goods can have no claim of title, even so, argues the father of modern Single Tax, we are justified in appropriating the land of those who derive their title from ancient wrong-doing, though the present owners may have paid valuable consideration for their land. But when the law is invoked for the sake of supporting a contention, logic demands that the whole law be examined. There is a well established principle of commercial law that an innocent purchaser for value of a property-right cannot be made to suffer for the misdeeds of the previous holder (as the bona fide holder of a check or promissory note). And if the objection is raised that this rule applies only to negotiable paper, we may point to the old common law rule that applies to squatters and settlers. If any man without any show of right remains in open and undisturbed possession of an estate for a certain time (usually twenty years), his title to the land becomes secure. Most of our present day landlords and their predecessors have maintained their title unmolested for many scores of years. The wrong doing of previous holders could not, from the legal point of view, affect the present title.

“Property” is purely a legal term, and the sovereign power may, from time to time, designate

what is, and what is not, property. We may, for instance, decree that intoxicating liquors and lottery tickets are not property, and anyone could then appropriate these articles with impunity, since the charge of larceny could not be sustained against them for taking something in which the law does not recognize any property right. On the other hand, we may give away the "air rights" to syndicates who would then charge us for airship navigation—even as landlords now charge for breathing space. (Such a condition might become of great practical value if franchises be granted for exclusive rights in airship navigation, for the holders would be able to reap benefits comparable to the profits of present-day owners of street railways.) The justice and propriety of such a procedure is another question.

The obvious fallacy in the reasoning of Single Taxers is that the term "*property*" is given an *ethical instead of legal interpretation*. From the legal point of view "*property*" is such only when sanctioned by the State and protected by its laws.

There are certain errors in the Single Tax program which its friends cannot afford to ignore, and even a cursory examination may yield profit for modification and amplification of the interesting theories of Henry George.

A. Single Taxers usually assume that private ownership of land is the only special privilege that grows in value with the increase of population and wealth. Undoubtedly, private ownership of land is the most important class monopoly, yet it is *not the only social value* which depends on the growth of population and industry. Antique jewelry, paintings, rare autographs and a thousand and one other monopolies grow tre-

mendously in value with the increase of population and wealth. Of course, land is of far more importance than the toys and trinkets of the rich, but all partake of the same unique characteristic—monopoly, which means that there is only *one* such piece of land, or *one* such painting in all the world. Land, then, increases or decreases in value in accordance with the ordinary rules of economics: *the value of an article which cannot be reproduced (like land) depends altogether on the demand*, since the supply is fixed and unchangeable. The *demand*, of course, is largely affected by the factors of population and wealth, i. e., *how many people* want a particular thing, and *how much means* have they for the satisfaction of their wants. It may be wise and expedient that articles like land (the supply of which is limited) should be owned, controlled or utilized by the general public, who, by their presence and labor, fix land values; but private ownership of land is robbery only if we assume that owners of rare paintings and heirlooms are “robber barons.” Newspapers often increase in value with the growth of a community out of all proportion to the value of the services of the individual editors and business managers. In so much as the increased value is not due to labor, capital and skill, wherein does it differ from the “unearned increment” of land?

B. The followers of Henry George insist that a Single Tax on land will defray all the necessary expenses of government, and that no other taxes should be levied. The Single Taxers would employ taxation solely to eliminate what they consider the worst vice—private ownership of land. But even the strongest free-traders would be unwilling to indorse such a view, because the public might derive great profit from the

taxation of luxuries without hindrance to ordinary commercial enterprises. We might profitably utilize the taxation power of the state for the elimination of other evils and the introduction of further reforms. In any event, we should not bind ourselves beforehand to restrict taxation solely to land. In other words, even if we should accept the principle of full taxation of land values, we cannot afford to hail it as *the Single Tax*.

C. Those who advocate a Single Tax correctly analyze one great evil—the landlord evil—but like so many other enthusiastic adherents of a “cause,” they are blind to other necessary reforms. They neglect, for example, to consider the problem that is the outgrowth of the vast influence of money and credit in our industrial system. The power vested in a “money trust,” in a combination of banking houses (whether direct or indirect) for the purpose of controlling loanable capital, is a serious monopoly second only to the monopoly of land. By the control of cash in times of industrial depression, our captains of industry may reap harvests of profit from the privations of the large mass of our countrymen. By their power over credit in the times of prosperity, they often prove themselves the industrial despots of the country.

Some Single Taxers challenge these facts with the assertion that *all* monopolies depend on the land monopoly, and that all iniquitous trusts would disappear with the triumph of their peculiar reform. But there are a number of trusts (and these among the most wicked) that operate practically as buying and selling agencies. The Tobacco Trust, for example, does not hold title to vast areas of land for the cultivation of tobacco. On the contrary, by its control over the *markets* for the sale of its products it forces the farmer

to sell at prices practically fixed by the trust. The farmer toils for the tobacco trust, and pays his taxes to it, as faithfully as any employee of the company and its allied firms. Indeed, the necessity which drives the farmer to pay interest on his mortgage, and to earn a livelihood for his family forces him to render unto the trust larger services than could be obtained through a careful system of lord and vassal in a feudal world. And so, it has been aptly explained that "it is better and more profitable to have an industry by the throat than to have an industry." And those who are in control of the sources of our great loanable capital (banks, insurance companies, public utilities, etc.) have grasped this important principle long ago.\*

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\* My attention has been called to the condition of a large number of farmers in Eastern New York along the Hudson River, who have become, to all intents and purposes, clerks of allied milk companies that constitute a particularly vicious combination. This Milk Trust, while raising the price of milk to the city consumers, has systematically depressed the prices paid to the farmers. By its control over the market and transportation facilities, the Trust has succeeded in making paid slaves of thousands of farmers. As the soil of this district is very poor and fit only for dairying purposes, the farmers become so dependent on the stipends from the Milk Trust that they have neither the time nor the initiative to strike out into new fields. A friend remarked to me that in everything but outward appearance they were just as much the clerks of the Trust as the bookkeepers who keep the records in the city. The farmer becomes merely a piece-worker subject to the demands of the "milk boss," and receives his pay in accordance with the number of quarts that he brings daily to the warehouse. And just as in the open shop the employee is often driven faster and faster for the same pay, even so the companies demand more quarts of milk for the same price. The only difference is that the farmer has not yet learned the lesson of the strike and the value of co-operation.

*2—Population Value of Land.*

Hitherto, in the discussion, we have considered wherein Single Tax fails to meet the larger issues of present day industrialism, but there has been no denial of the value of Single Tax as an important reform. In order to prove acceptable, however, Single Tax must be considerably modified. We are now ready to consider what that modification should be.

Land is of use and value to mankind for any one of *three* reasons. (1) As agricultural land, it is valuable for supplying man with the necessities of life. In agriculture (and kindred industries like grazing, poultry raising and lumbering) man utilizes the *surface* of the soil, and his labor consists in scratching the surface in order to obtain useful plant life. He does not dig down deep into the bowels of the earth (as in mining), nor does he erect huge skyscrapers for which land is valuable only as a foundation. Farming, therefore, is based on the *surface value* of the land. (2) Mining lands are useful for the purpose of providing man with metals and fuel—with gold, silver, copper, iron, petroleum and coal. We may include in this subdivision the water-power that is becoming so important in our industrial life. The surface value of land is of no value to the miner. He is interested, primarily, in the sub-surface value of the land, in the age-long deposits of valuable natural resources. This *sub-surface* value differs in many respects from the *surface value* of land. The former is more speculative and the profits derived therefrom are less stable. Furthermore, because the districts containing mineral deposits (and water power) are small in area when compared with the large extent of agricultural land, such districts are

exceedingly valuable to the whole community, and in proportion as they are indispensable to the public welfare so must the opportunities for monopolization by private individuals be carefully guarded. (3) There is a third use for land which we may designate as its "*population value*"—or the value placed upon the land because of the concentration of a large number of people on a restricted area in the neighborhood of such land. In every city, the land is used neither for agriculture nor for mining, but, primarily, as a material support—as the foundation for dwelling houses, stores, factories, tenements and office buildings. The value of such land depends neither on its natural fertility nor on the sub-soil deposits of natural resources, but only on the number of people in the vicinity and the extent of the industries for which it forms a support. *Its value depends almost entirely on the position it occupies with reference to a large aggregation of human beings.* This is a use quite different from the two foregoing, and the *population value* depends on conditions altogether unlike the *surface* and *sub-surface* value of land.\*

Now, it is perfectly clear that the population value of land, depending, as it does, on the growth of population

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\* This classification represents certain well-defined divisions, but the three grades pass into one another almost imperceptibly and we cannot mark off by a rigid line all three classes. Truck farming is carried on even within the limits of the City of New York and some of the most productive gas wells are found in the fruitful agricultural district of Western Pennsylvania. As a rule, however, land can readily be classified according to (1) its agricultural value; (2) its mineral and water power value; (3) its population value. (A farm or a mine becomes more valuable by the building of a railway line in the vicinity—the situation is improved and the products can be marketed with less expense. This added value bears some analogy to the population value, except that the main feature is not the concentration of population, but the *accessibility* of products to markets.)

and wealth, should bring corresponding benefits to the public, and a Single Tax, which would retain for the public the value created by the people themselves, is just and equitable. We may also agree that mineral lands (and water-power), because of their immense value and limited quantity, should be owned by the public. *They should never have been permitted to pass into the hands of individuals.* To-day, with the strong sentiment for the conservation of natural resources, we may be sure that the people will not tolerate any further squandering of the sub-surface wealth of the land of the nation.

Prominent economists and sociologists are repeatedly emphasizing the enormous importance of our mineral wealth. We can reproduce our agricultural wealth as we renew our crops from time to time; machinery offers opportunities for immense expansion in the field of production, but all machinery, and, indeed, our whole industrial system rests, ultimately, on the amount and quality of our metals and fuel. Without copper wires for the conveyance of electricity, iron for the production of steel, lead for our pipes and coal and oil for our furnaces, our economic system would be badly crippled. Leading men of science have traced civilization from the point of view of the utilization of mineral resources, and have shown how the metal age succeeded the stone age, and how the opening of the iron and coal deposits of England transferred industrial supremacy from the Italian and German cities to the British Isles. In our own country, some of the most important industries would have been impossible but for the extensive coal fields of Pennsylvania, the iron fields of the Lake Superior region, etc. It has been stated that the limitation of our supply of mineral re-



sources offers the real check upon the growth of population—which Malthus endeavored to find in the limitation of our food supply. Without a large quantity of mineral resources, we cannot obtain the reasonable comforts of life and a large supply of food, since in every walk of life, from manufacture to agriculture, we must employ machinery and other products of the mines. Under such circumstances, it does not require the eye of a prophet to see that the time must come when our states will take over (probably by condemnation proceedings under the rights of eminent domain) the natural resources, including water power, within their borders.

As regards our agricultural lands, there seems to be no such popular or scientific demand for state ownership or for a system of taxation which will appropriate the full rental value of such land. The farmer is universally recognized as an invaluable element in our national life. The old glory of England rested upon a free and independent yeomanry, and the virile farmers of the West are to-day the most progressive and valuable portion of our citizen-body. Any measure that might tend to injure them would be unwise and productive of harm. The farmer has a peculiar feeling of kinship for the old homestead, the trees that were familiar to him in the days gone by and the ground which he has known for many years (so utterly unlike the ever-changing city). We cannot afford to diminish this interest or undermine the economic position of the farmer. Single Taxers contend that their tax on land would involve the abolition of all other taxes, so that, in the long run, the farmer would probably pay less than he does to-day (with the tax on land, improvements, revenue taxes and protective tariff). Assuming

that this may prove to be the case, we may answer that the farmer is taxed too heavily at the present time, and our efforts should be to decrease taxation in his interest. Indeed, we might make out a strong case for exempting purely agricultural land from all but local taxation, which may prove of far more value to "the other half" than the exemption from taxation of churches and charitable institutions.

But we are not here concerned with the formulation of a new system of taxation for farmers. We are simply considering a defect in the Single Tax program in so far as it would impose a heavy tax on a most valuable portion of our population. Since Single Taxers are interested, primarily, in securing for the public the "unearned increment" of land values, due to the increase of population and wealth, they must remember that the farmer seldom gains large fortunes from this unearned wealth. Occasionally, his farm may be broken up into town lots, and more often he may derive some profits from the construction of a railway in the vicinity, but even when fortune bestows her favors with an open hand, the unearned profits of the farmer fall below the *unearned* profits of a newspaper proprietor in a growing city.

It seems, therefore, just and expedient to exempt farming lands from a system of taxation that aims to appropriate the "unearned increment"—the values created by society itself. *Indeed, the greatest hindrance to the progress of the Single Tax movement has been the opposition of the farmers.* In the recent campaign in Missouri, the Single Taxers were repudiated by the farmers of the state, while in all campaigns for increasing taxation on land values it is *the city population, with its large class of tenants*, that furnishes the ad-

vance guard for the Single Tax. In short, to the hard-headed farmer a tax that will ultimately appropriate the full value of his land must be a species of confiscation, even though we may call it by another name. And I am firmly convinced that if the Single Taxers had confined their propaganda to *city land*, leaving the farmer untouched by their tax program, they would have already achieved a large measure of success.

We might even admit that logical consistency would require the application of the Single Tax to all lands, and we could then rightfully answer that history does not always follow the strict line of logic. Furthermore, we can afford to sacrifice some degree of logical consistency for the sake of aiding in the development of a virile agricultural class.\* Let our Single Tax friends, if they will, look upon the farmer as carrying a "farmer's subsidy" from the state which would lighten the burdens of the tiller of the soil, while city land would be taxed to the full value.

### 3—*Municipalization of Land Values.*

The most popular method for the introduction of the Single Tax has been demonstrated by the efforts (now illustrated in Canada and some of our Western states) towards the gradual increase of taxation of land values, separate and distinct from build-

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\*It is not our intention to free the farmer from all taxation, for that would be unjust discrimination—intolerable in a true democracy. He would have to pay local taxes for the support of county and state government—and probably such taxation could be more justly assessed on the unimproved land, as the Single Taxers would have us do—but *no attempt would be made to force him to pay over all the unearned increment of his land so long as it is classified as agricultural land.* When such land becomes part of a growing town, however, it would be classified with respect to its population value.

ings and other improvements on real estate. Even in the conservative city of New York there is a strong agitation to-day for increasing taxation on land at the same time that taxation on improvements is gradually reduced until the time should come when real estate taxation would comprise only *land value taxation*. (Even now the tax appraisers differentiate between (1) land values, and (2) valuation of improvements.) The Lloyd George Budget in England amplifies this principle by imposing an extra tax on the "unearned increment" that will accrue to the landlords in the future. For example, a certain vacant lot in the City of London valued at £10,000 to-day might increase in value to £20,000 by the year 1920. In that event, the government would appropriate in 1920 a certain percentage of the £10,000 increase in value.

The argument in favor of such a tax is based on the correct analysis that the increase in value is due solely to the efforts of the general public and not to the labor and skill of the landlord; and the government, representing the whole people, is, therefore, justified in deriving a partial benefit therefrom. This theory, if logically followed, requires the appropriation of *all* such increase in land values for the benefit of the people, yet most Single Taxers hope to realize their aspirations by a gradual and slow method for increasing taxation on land values. There is, however, one very serious objection to this method of a gradual development of a Single Tax state. Many decades must pass before the process is completed. Every advancing step will be hotly contested by those who must suffer from the heavier taxation. Instead of one decisive battle for the realization of the dreams of Henry George, we are substituting a long war, continuing through many decades,

subjecting society to a condition of constant strife, with the result ever in doubt; while our population will become divided into two classes, on the one hand, the landlords and their minions, and, on the other, tenants and their demagogues (with a small sprinkling of earnest men on each side). In this class war, every new attempt to increase taxation of land values will require an expensive campaign, so that the result will show only a small net gain, even if the public be victorious. Considering the constant turmoil of battle, the waste of resources in the numerous skirmishes, the bad blood that must be engendered from such a struggle between the masses and the classes, and, above all, the uncertainty of a valuable victory within a reasonable time, we may seriously question the advisability of such a method. And, in the end, we shall have achieved by a gradual, piecemeal confiscation what the early Single Taxers would have us do by one stroke.

I stand with the old Single Taxers in my opposition to any piecemeal policy that must make it more difficult to realize the end, because of the continual increase of the "unearned increment" in the hands of present day landlords. *We should establish a new land system outright—but we should eliminate from our consideration any idea of confiscation.* The man who has invested in real estate is entitled to protection of his property right, so long recognized by law, even as the manufacturer and the merchant. We shall now see how, by the application of the eminent domain power of the state, combined with a modified single tax on land values, *we may secure all the benefits of a Single Tax regime, without the slightest infringement of property rights or the shadow of confiscatory methods.* We shall call this the "Municipalization of Land Values."

One of the most important rights and duties of municipal activity, as distinguished from rural life, would be the *public* ownership of land values. The initial step in such a program would be an amendment to the village, town and city laws of the various states whereby any district, containing a resident population of at least two thousand for each square mile, or portions thereof, would be forthwith organized as a municipality.\* A uniform state law should provide for condemnation proceedings by which every municipality must acquire, by purchase, all vacant lands and all other lands (exclusive of buildings and improvements on real estate) within the confines of the municipality. The actual buildings (apartment houses, private dwellings and business structures) would still remain in the hands of private individuals, but the land upon which such improvements are placed would become the property of the municipality. In like manner, the state law should provide that all the old municipalities must become landlords of all the land within their boundaries by the judicial process of condemnation and purchase. Thus, the City of New York would be required to assume the ownership (under condemnation proceedings) of all the land within its confines, and, similarly, some new little township, growing up in the Mohawk Valley, would, immediately on its organization as a municipality, make itself the landlord of all the real estate (exclu-

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\*Such a basis—two thousand persons per square mile—as a test for municipal activity is logical and proper, since such population usually represents a condition of urban, as opposed to rural, life. It would place in the hands of the voters the rights and duties of city life just as soon as the density of the population would justify the organization of a municipal entity, distinct from the surrounding country district.

sive of improvements). Under such a system, every municipality, whether large or small, would receive all the benefits of a Single Tax regime, for *as landlord*, it would obtain in *rents* the full value of the land, while no private owner would be disturbed in the possession of buildings or other improvements. The municipality would be the owner simply of the land value. It would reserve for itself the "unearned increment" due to the increase of population and wealth.

But how do we propose to make our municipalities the landlords of their city territory without saddling them with debts which will lead to bankruptcy? In answer to such a question, we suggest a banking expedient by which our municipalities will receive all the benefits of a Single Tax regime with practically no expense, and with full repayment to present day landlords. The apparent miracle by which we may obtain invaluable rights at a small cost is based on *the principle of utilizing the difference between a higher credit and a lower credit in interest charges for the purpose of paying off the principal sum*. By the use of the higher credit of the state we can introduce a Single Tax era, and discard, at the same time, the idea of confiscation, which makes Single Tax objectionable to the great majority of citizens.

Under such a plan, the state legislature would establish a permanent land commission for the appraisal, condemnation and purchase, for the benefit of the various municipalities, of all the lands within the limits of such cities, towns and villages. The state would issue bonds to cover the purchase price of the real estate of the various municipalities. The average state bond now carries interest at a rate of four and one half ( $4\frac{1}{2}\%$ ) per cent per annum, or less, and the simple

table that follows will show that, within a period of thirty-one years, all the bonds can be paid off, if only 6% of the original purchase price of all the lands appropriated by the municipalities, under condemnation proceedings, be accumulated each year for the payment of interest and the redemption of the bonds.\* As the municipalities would come into possession of the land *immediately*, we can assume that the average income in rents from municipal lands would be at least 6% per annum—rarely would it fall below that figure, while the constant increase in land values would make it certain that, as a general rule, the income would exceed 6%.

One and a half per cent ( $1\frac{1}{2}\%$ ) each year will be utilized as a sinking fund for redemption of bonds, as shown in the last column, and four and one half per cent ( $4\frac{1}{2}\%$ ) as interest on bonds. For convenience, in calculating the interest, more than \$50 is regarded as equivalent to \$100, and less than \$50 as equivalent to 0. After the year 1945, the payment of \$27,500 for each one million dollars would clear the entire debt.

In this table, outstanding bonds for \$1,000,000 are taken as convenient figures. In the case of each larger city, the figures below would be multiplied by the *number* of million dollars of assessed valuation of the land, exclusive of improvements. If the plan were adopted in the year 1915, we would obtain the following results:

\* As a matter of fact, it could be so arranged that nearly all the "land bonds" would be taken up by the former landlords in payment for their land values. It might be urged that an excessive bond issue by the state, to cover the lands purchased by the municipalities, would disorganize the bond market and depreciate the value of state bonds. But it must be borne in mind that this process will be simultaneous with the liberation of capital formerly bound up in inconvertible real estate, and the former landlords will probably find no better immediate investments than in safe state bonds at  $4\frac{1}{2}\%$  per cent per annum.



## THE SINGLE TAX

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	Amount of Bonds Outstanding	Interest	Amount of Bonds Redeemed
1915	\$1,000,000	\$45,000	\$15,000
1916	985,000	44,300	15,700
1917	969,300	43,600	16,400
1918	952,900	42,900	17,100
1919	935,800	42,100	17,900
1920	917,900	41,300	18,700
1921	899,200	40,500	19,500
1922	879,700	39,600	20,400
1923	859,300	38,700	21,300
1924	838,000	37,700	22,300
1925	815,700	36,700	23,300
1926	792,400	35,700	24,300
1927	768,100	34,600	25,400
1928	742,700	33,400	26,600
1929	716,100	32,200	27,800
1930	688,300	31,000	29,000
1931	659,300	29,700	30,300
1932	629,000	28,300	31,700
1933	597,300	26,900	33,100
1934	564,200	25,400	34,600
1935	529,600	23,800	36,200
1936	493,400	22,200	37,800
1937	455,200	20,500	39,500
1938	415,700	18,700	41,300
1939	374,400	16,800	43,200
1940	331,200	14,900	45,100
1941	286,100	12,900	47,100
1942	239,000	10,800	49,200
1943	189,000	8,500	51,500
1944	137,500	6,200	53,800
1945	83,700	3,800	56,200

In such a system, the credit of the state would be utilized to "underwrite" the debts of the various municipalities, so that the state bonds could bear a low interest rate. Within a generation all the bonds would be redeemed *merely from the savings effected by utilizing the credit of the state* (requiring an interest rate of  $4\frac{1}{2}\%$ ) instead of the credit of private individuals or municipalities, which would require a higher rate.

As a matter of fact, it is not so much the credit of the state that would enable us to pay an interest rate of  $4\frac{1}{2}\%$ , but rather the concentrated security of city lots within its control. Thus, if any individual were to gain control of all the real estate, exclusive of improvements, within the City of New York, he, too, could probably dispose of  $4\frac{1}{2}\%$  bonds to cover the purchase price, for he would have behind him the power and prestige of an enormous landlord. The same principle is illustrated when a mortgage is placed on property. The mortgagee knows that his security consists solely in the value of a certain particular piece of property, and not in the general value of all the city real estate. Accordingly, the investor will seldom lend money on mortgage in excess of sixty or sixty-five per cent of the value of the property. But let us suppose that the mortgage extends not merely to a particular piece of property (which is always subject to decrease in value by the removal of business interests from one quarter of a city to another, by the loss in prestige of a certain ultra-fashionable district, or by a mere freak of taste that prompts the better portion of a city population to avoid a certain residence district) but to the whole city real estate. In this case the security would be much more valuable. It is only on extremely rare occasions that the real estate of a city, *taken as a whole*, decreases

in value, while the values of certain particular districts of every large and growing city are constantly rising and falling in the market.\*

Under the plan here presented, each bondholder is secured not only by the credit of the state but also (through the state) by the general value of city real estate within the confines of the municipality. While an investor might hesitate to lend on a mortgage up to 75% of the value of a particular piece of real estate, he would probably feel far more safety in investing, together with others, up to 100% of the value of city real estate, if he should have this security of a mortgage on *all* the real estate of the city.

Since the basis of the whole system would be the land values in the control and power of the various municipalities, we can feel sure that the state would always have sufficient security for the outstanding bonds. Each city, town and village would be obliged to turn over annually to the state, for thirty-two years, all rents received from such lands to cover the interest and to furnish a sinking fund for the redemption of the state bonds. Perhaps in several towns there would prove to be a material decrease in land values, so that the rentals would fall below six (6%) per cent. Then the state, with its control, for thirty-two years, over *all* the municipal lands of the state, could easily raise sufficient revenue, *from land values alone*, to meet such isolated cases—for it is inconceivable that the city land values

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\* Even in Manhattan real estate, supposedly the most "solid" of all, there has been a large decrease in value during the last few years in the district between 14th Street and Canal Street and on both sides of Broadway. This decrease, however, was more than compensated by the rapid growth in the value of real estate between 30th Street and 42nd Street.

of the state as a whole would decrease, although it may decrease very rapidly in certain localities.\*

The net result of such a plan as the above would be:

(1) The certainty of public ownership of municipal land values *within a generation*. This will mean that the city population would be able to control the growth and character of their own city, rather than leave it to the schemes of greedy landlords and the unregulated influx of tenants. As soon as the municipality becomes the owner of all land values, the city will not hesitate to erect boulevards, establish parks and playgrounds (for it will not be forced to compensate property owners for vacant lots), and what it will lose by the creation of breathing places in one congested locality it will gain in increased rents from other neighboring districts. The money and energy that is now expended on the establishment of a small park in a congested district will be utilized for important projects for the general welfare.

(2) The appropriation, for the benefit of the public, of all the unearned increment due to *the increase of land values in the interval from the date of the municipalization of land values by condemnation proceedings until the final redemption of all outstanding bonds*.

(3) The assurance that we will receive all the benefits of a Single Tax regime—without the necessity of confiscating property or engaging in a class war.

The Single Tax program would require a constant campaign during many years, until, step by step, we might reach the goal of taxation reform, in which all

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\* Every census has shown a steady increase in the land values of every state in the Union. While there are a few cases in which the population of states have decreased in certain decades, the value of the land, and particularly of city lands, has never failed to advance.

lands would be taxed to their full rental value. Such a result might be secured only after many decades of toil and struggle. The victory might be purchased at a price—in campaign expenses, financial disturbances and even bloodshed—that would far exceed the purchase price of such lands to-day. As a substitute for class war and confiscation, we have a simple project for land purchase which will offer us the same advantages without any of the disagreeable features of land taxation. *We shall simply convert the public into the supreme landlord, instead of appealing to the taxation power of the state.*

It is just and proper that the residents of villages, towns and cities should reap the benefits accruing from the unearned increment due to the industry and ability of its inhabitants, and the *municipalization of land values* is a simple and effective method for achieving that result. The mineral resources of the state—the sub-surface value of state lands—should not become the exclusive property of any particular locality, since its value depends not on the efforts of the people of a particular locality but on the demand of the whole population. The state, therefore, should, by a process analogous to the purchase of municipal land values, acquire the ownership of all state sub-surface lands, the value of which depends primarily on mineral resources, water power, etc. The state itself need not necessarily operate all its mines or directly utilize all its water power, but it could lease these privileges (even as municipalities would receive ground rents) for the benefit of the whole population of the state.

Finally, the farms of the state must remain the undisturbed property of the rural population, if we are to maintain a free agricultural class as the backbone of our democracy. No state should restrict the farmer in

the ownership of the *surface value* of land. The land problem would be solved by

(1) the *municipalization of city land values*, and  
(2) the *state ownership* of mineral lands and water power sites, while

(3) making no radical change with reference to the status of farming lands.\* In the best days, the farmer receives very little of the "unearned increment," and that little we may well allow him as a chance reward for his steadfastness and as an appreciation of his value to the nation. As soon as the farm should become a portion of a village community, the land would be purchased by the new municipality.

While this may give the farmer some unearned wealth, we can afford to be generous so long as we make it impossible for any small group to become the landlords of a thickly populated city. The prime sources of unearned increment—city lands and mineral resources—would be under public ownership and control, and this will offer us sufficient revenue to justify the removal of onerous taxation (over and above the expenses incidental to local government) from the shoulders of those who produce our food supply.

At this point it is necessary to consider the two contradictory views on taxation reform presented by Single Taxers. On the one hand, they tell us that Single Tax does not mean the appropriation of all the land values, but "it proposes that the city should derive sufficient

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\* The state land commission would determine each year what rural districts have attained a population of two thousand per square mile (have reached the stage of development in which they may be regarded as urban or suburban property) and would thereupon purchase such lands, by the issuance of state bonds, for the benefit of the new municipality to be erected or for some contiguous large city.

revenue from land value for its proper government, that the state, too, should derive revenue from all land in the state including cities, and the federal government from all land of the country including naturally states and cities.”\* This, of course, may be less than the full value of unimproved land in the community. On the other hand, one of the leading Single Taxers, Herbert S. Bigelow, reverting to the argument that land belongs to God and that the whole community should reap the benefits, says (in “The Mission of a Liberal Church”) : “Has one as good a natural right to the use of the ground as another? If so, then should not every man pay to all the rest the full annual value of any particular piece of ground that he is permitted to possess?” The difference between these two views is hardly appreciated by the advocates of the Single Tax, because both views are presented indiscriminately by many of its leaders. Yet, one example will suffice to show that these two views are radically different. City A with a population of 100,000 people has a total annual government expenditure (for schools, water supply, street cleaning and general city government) of three million dollars. The amount of taxation levied on the same community by Federal and State governments (assuming the general acceptance of the Single Tax) is one and a half million dollars. This would mean that the total amount raised annually by taxation on a Single Tax basis would be four and a half million dollars. But the annual income from all the unimproved land of City A, if taxed at its full rental value, may exceed six million dollars. This remainder of one and a half million dollars or more is certainly the creation of the com-

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\* From a statement by a well known Single Taxer, F. C. R. Douglas.

munity, and is part of the unearned increment, but it may not be necessary to utilize it for government purposes.

It well may be that if the people are far-sighted enough to purchase—under the plan of municipalization of land values—the city land, they may find *a source of income as a landlord that will make it unnecessary to tax any citizen. Government, instead of appearing as a parasite that feeds on the community, will become self-supporting.* The city will receive an annual income as a landlord more than sufficient for current expenses and will have a surplus to be expended for the benefit of its citizen-tenants. Most states will receive annual incomes from the sub-surface lands sufficient to dispense with any taxation. (We are not here concerned with the Federal government, although it, too, could derive a large portion of its expenses from careful utilization of the land within its control.) The farmer as well as the city inhabitant would pay, if necessary, taxation to cover the local expenses of county and state government, unless the income of the state is so large that it could undertake the burden of the cost of county government within its borders. In short, we would remove taxation (or reduce it to a minimum) not only from the farmer but from *every citizen*, whether he be a dweller of a large city or a pioneer settler on a wild tract of land. Finally, we go further than the Single Taxers—we want *no tax*. We propose to make our municipalities thrifty landlords who, instead of exacting taxes, will simply collect rents.

Such a plan can be carried out without any radical changes and with very little disturbance. The first step would be to convince the voters of one of our states to



place a law on the statute books (and amend the state constitution when necessary) which would permit the state to condemn and purchase all mineral lands and water power sites, and oblige all the municipalities within its borders to *municipalize all land values*, state bonds being issued to complete the purchase. Some of our Western States that are sufficiently progressive to experiment with new devices for securing greater industrial and political freedom might convert this reasonable substitute for the Single Tax into a living fact. Let but one state introduce this system and the pressure of a triumphant idea will insure its progress throughout the country.

To those who tell us that this would make the state and city paternalistic institutions, we reply that hitherto government has been a poor father that demanded support from his children through the method of taxation. We propose to make him a rich father who will be independent of the enforced gifts of his sons and daughters—a father that may have some surplus to devote to the higher education of his off-spring and for the fulfillment of some of the nobler aspirations of mankind.



## CHAPTER X.

### THE INDUSTRIAL COMMONWEALTH.

#### I—*Government Competition and Public Competition.*

During the last six decades, Socialism has proclaimed and expounded the social aspect of history. The greatest contribution of Socialism has been the formulation of the theory of the "Economic Interpretation of History," and the destructive onslaughts made by its leaders on our competitive system of industry. In its place, Socialism would construct a system of state ownership of all the social tools of production. It is to the constructive part of its program—to the actual upbuilding of a Socialist State—that we take exception, for the reasons stated in Chapter VIII. Instead of a state ownership, that would cripple individual initiative and hamper voluntary co-operative efforts, we propose to build the Social Commonwealth. The essence of such a Commonwealth is the organization of a *voluntary co-operative society*, not to the exclusion of individual initiative but in competition with the activities of private individuals.

Such a program does not require the introduction of new and untried social institutions and political devices. Within the last two decades the Commonwealth of Australia and the Government of New Zealand have conducted numerous experiments in "Government Competition." New Zealand has become a real estate operator, for the government sells land to settlers, with provisions for payment on the installment plan, and lends money on real estate mortgages. In Australia, the government has made some successful efforts in

the manufacture and sale of ice in competition with the activities of private individuals. We are not now discussing whether such government activities are altogether wise and beneficent. Numerous criticisms have been hurled against the "Socialistic" efforts of Australia and New Zealand. Even radical labor leaders have disagreed time and again with the industrial experiments in Australasia. Yet, however much we may disagree with certain practical efforts, we must honor these colonists of Great Britain for having brought forth a new principle in industrial life. I refer to the principle of "Government Competition." The state, by entering into the business of manufacturing and selling ice, for example, compels all other ice dealers to dispose of their products at a moderate profit; the government, by engaging in the business of fire and life insurance, secures for the people the very best terms, because the private and mutual companies must face the healthy competition of the government.

In short, it is not so much what the government does, as what it might do—its potential power—that restrains private enterprise within the limits of reasonable profits. Once the principle of "Government Competition" is thoroughly appreciated, there can be no grinding monopoly, for the government may step in at any time and compete with any business for the protection of the public.

Analogous to this "Government Competition," but superior to it in many respects, is the "Public Competition," introduced by Louis D. Brandeis, in the State of Massachusetts. In 1906, he began to advocate a system of Savings Bank Life Insurance under the supervision and control of the state. Mr. Brandeis had investigated the insurance rates of the chief com-

panies issuing industrial life insurance policies (i. e., life insurance in which the premiums are paid in small sums at short intervals, usually weekly, to meet the demands of the working people), and, after a careful study of the figures, had concluded that these companies (particularly the Metropolitan Life, The Prudential and the John Hancock) were charging exorbitant rates. Accordingly, he strongly advocated the enactment of a law which would permit the Savings Banks of Massachusetts, under state supervision, to issue life insurance policies, under a uniform plan, in competition with the large industrial insurance companies. On June 26th, 1907, such a law was passed by the legislature of Massachusetts, and the following results have been obtained (by September, 1912):

(1) Four Savings Banks have opened insurance departments, and such banks have profited by a rapid increase in deposits.

(2) The monthly premium rates of the policies issued by the Savings Banks, including dividends (for each policy holder receives the dividend which would fall to the stockholder in the ordinary insurance company), are 32% less than the *reduced* rates of industrial companies. Even when compared with non-industrial companies, a man thirty years of age pays \$20.64 per annum for \$1000 on a "straight life" policy under Savings Bank Insurance and \$24.38 with the New York Life.

(3) Most important of all, the competition of Savings Bank Insurance has compelled the industrial companies to reduce their rates, so that, on the average, the rates are to-day 20% lower than in September, 1906.

*This means a saving to the working people of Massachusetts alone of two million dollars (\$2,000,000)*

*per year*, and an annual saving to the working people of the United States of about twenty million dollars (\$20,000,000).

In short, this public activity, through the medium of Savings Banks, has bestowed concrete benefits on the people of Massachusetts which could never have been secured by expensive "fishing expeditions" in "trust-busting," and ruthless denunciation of the "bad men of Wall Street."

The plan advocated and put into effect by Mr. Brandeis is far more valuable than the social experiments in Australasia. The latter are purely governmental efforts, having behind them the coercive power of the state, which may crush out individual initiative, so that we may gradually drift into a system of State Socialism. The Brandeis plan involves the principle of *public*, rather than governmental, competition. The state encourages and supervises the Savings Bank Insurance, but it does not actively engage in competitive industrial activity. If such public efforts in competition with private enterprise should succeed—as they have succeeded in Massachusetts—then the public will derive large benefits; *but such public efforts will have to meet, constantly, the competition of private initiative, and will not be bolstered up by the taxation power of the state—as may be the case with "Government Competition."* In short, in place of government competition, we have a system of "Public Competition," supported and encouraged by the government.

I am convinced that an extension and modification of the Brandeis plan for Savings Bank Insurance will offer us a fruitful field for public competition, which will be of invaluable aid in the solution of the "Trust Problem" and the problem of the high cost of living. Indeed,

it offers the prospect of organizing *a co-operative society on a voluntary basis*, for the purpose of uplifting our whole industrial life.\*

## 2—*Political and Economic Function of the Municipality.*

While the Industrial Commonwealth will be organized as a large people's corporation on the principle of public competition, we must pay particular attention to our urban population. Our cities and towns present, in some respects, the nuclei for small industrial democracies. Their powers as coercive governmental institutions are insignificant, and they may be regarded as the introduction to voluntary associations for numerous economic activities on behalf of their citizens.

In law, municipal corporations have two well defined fields of activity. The first is known as the *public* function, i. e., the field in which the city acts purely as "the arm" of the state. The police power, the control of the Health Department and the Bureau of Education fall under this category. In this division, the municipality is merely the most convenient means for performing the duties that fall to the state government, and might be legally (and efficiently) performed by the state itself, the various counties or other agencies.

As distinguished from this public or *political* function of the municipality, we have the private duties which the state permits it to assume—the *business* interests analogous to the operations of private corporations.

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\* Surprising as it may seem, such a program is in accordance with the hopes of the Syndicalists (known in the United States as the Industrial Workers of the World). Whether or not we indorse sabotage, or the concrete demands of the I. W. W. in any particular strike, there is no question but that the *underlying economic principle* of the I. W. W.—namely, the *organization of a co-operative economic society on a voluntary basis*—is more feasible and desirable than a coercive Socialist State.

Under this subdivision are included such important matters as the water supply, the operation of ferries, the construction and operation of subways, bridges, street cars and municipal markets. The municipality may engage in numerous activities that are of interest and advantage to its inhabitants, which would otherwise be performed by private individuals, associations or corporations.

Now these two functions of the municipality are as separate and distinct as *politics* and *business*. While the public function of the municipality is merely a convenient subdivision of the political power of the state, the private function ministers to the needs and comfort of its inhabitants. While the first must be properly performed in order to safeguard society and protect civilization (as, for example, adequate police protection, proper health supervision and a minimum of education), the second is purely a business matter for the better satisfaction of the wants of the city population. While the element of profit is of no significance in the political function of the municipality, it is of the utmost importance in the consideration of questions arising under the private (or business) function of the city.

It would be in accordance with the demands of logic, as well as of "scientific management" in business and politics, to separate these two dissimilar activities. The political functions should be performed by county officials (the District Attorney and Sheriff now perform a large portion of such duties) since the county is exclusively the "political arm" of the state and could readily assume the present day *political* functions of municipalities. On the other hand, the large and increasing number of private functions of municipalities involve



all the elements of true business activity, and it is high time that such duties be placed under proper business management and separated from political chicanery. As they are, or should be, essentially profit producing enterprises, they must be placed on a sound economic basis of business management.

The trend of the times is towards such a differentiation between the private and public functions of municipal life. We have heard a great deal during the last decade, about the "commission form of government"—a plan by which cities are efficiently managed by a single board of directors (consisting usually of five members) analogous to the methods of private corporations. It has not been altogether a conscious growth, yet the popularity of commission government is due, in a large measure, to the recognition by the great mass of citizens that the main functions of a municipality are *economic and not political*. For the sake both of efficiency and consistency we should surrender to the state and its counties the remaining political powers of our cities and towns, while we permit our municipalities to grow into important business enterprises for the benefit of all the residents.

We are not interested in the political form of the state or county, but the *business* form of the municipality is probably best expressed in the commission plan. For the municipality is simply a corporation in which every resident citizen has *one* share; and, as equal shareholders, they should elect a Board of Directors to manage the common business enterprise and protect the property of all the shareholders. Every village, town and city would be managed by such a board of five members (which might be decreased to three in the case of small towns or increased to seven in the case

of very large cities), elected for a period of two or four years.

### 3—*The Municipality and Public Competition.*

What should be the *scope of activity* of the municipality? This is the crucial question that brings forth the old problem of "State Interference," of "Laissez-faire" and "Socialism."

It has been the unfortunate practice in American states to restrict the activities of municipalities within narrow limits, until the urban population is now exasperated by the constant interference of state legislators, representing country districts, and possessing little qualifications for passing judgment on city problems. The mere concentration of population on a small area gives rise to problems that differ materially, not only in degree but also in kind, from the problems of farmers and cowboys. In agricultural communities there are no problems of street traffic, of tenement house abuses, of sweat shops and "tenderloins." Yet the state lawmakers have so long failed to recognize this difference, that the cry of "city home rule" has become irresistible. In foreign countries, as a general rule, cities are given pretty nearly free scope in their operations, so that we may learn valuable lessons from German cities that build, own and sub-let model houses, and from English cities and towns that own and operate street car lines and municipal markets. Even in the United States, several states (notably Missouri) recognize "local self-government" as an inherent right in a community; and in those states each city may determine for itself, to a large extent, the field of its *industrial* activity. Our first endeavor should be to *place in the constitution of*

*every state a provision guaranteeing home rule and true self-government to any community having a population of a certain density* (let us say, at least two thousand persons, on the average, for each square mile of territory). Such a law would convert the municipality into a voluntary public corporation, ever mindful of the interests of its resident citizens. Undoubtedly, its first duty will be to endeavor to reduce the cost of living for its inhabitants, by public efforts in the form of municipal markets, city milk depots, restaurants, as well as the ownership and operation of the telephone and transportation systems of the city.

The question still remains: how much business will our municipalities transact—how many different things will they do? Hardly any one will dissent from the conclusion that the municipality should manage its own water-supply. To-day, some might still question whether it be advisable to have municipal ownership and operation of the transportation system, while the great majority would be opposed to the extension of municipal activities into the fields of finance, manufacture and commerce. Are we to say that these municipalities will undertake all activities as an introduction to municipal Socialism? It may be that the adoption of municipal home rule would facilitate the public ownership and operation of many industries, and enable us to achieve industrial success without the danger of political corruption. But we should certainly oppose the “municipalization” of the industrial life of the city—the swallowing up of all economic activities by the urban unit.

Where should be the line limiting the activities of the municipalities on the principle of public competition? Frankly, we do not know. We cannot

know. It is a shifting line that changes from age to age. Socialism would obliterate the line, and make all production communal, even as Anarchism would deify individual activity. But here lies the great distinction between a Social Commonwealth and Socialist schemes. We do not know, and as true scientists we cannot know, the proper limit of co-operative activity as compared with individual activity. The line separating the two fields must be reconstructed, generation after generation, in accordance with the demands of the time and the changes in environment. This is essentially an *evolutionary* process and the *survival of the system that proves most efficient is assured*. Only experimentation will give us the proper field and true limits for municipal activity. Should the municipality own and operate dairies and bake-shops? That question can be decided properly only after trial, and after careful comparison with individual enterprises in the same fields. A similar answer must be made to the question: should the municipality own and operate an electric plant? municipal markets? The ideal of Socialism is *complete* ownership of all the social tools of production and thorough-going co-operation in industry. All the actions and manoeuvres of its leaders have this result as "the consummation devoutly to be wished." Now, such a principle may be applicable in all activities that tend to become monopolies, that by nature or circumstances (like the street railway system) can be profitably managed only under monopolistic control. But there are many other activities in which monopoly is not essential for profitable management. Consolidation and concentration in the ownership and operation of restaurants and hotels and in the manufacture of clothing (for example) may yield good economic re-

turns, but absolute monopoly in these lines is not essential to success. A large plant may be necessary in order to secure the economic savings that can be obtained only from large scale production and distribution, but you may have several large plants and still reap the benefits of concentration. We may, therefore, lay down the general principle: *that the activities of our municipalities should be, not to the exclusion of, but in competition with, individual initiative, except in cases of natural monopolies* (like the street railway system).

In short, each municipality must be viewed as an independent corporation, and, as such, it has the right to undertake any business that may prove of advantage to its citizen-shareholders. How far it shall go in any particular field—whether in transportation, commerce or manufacture—is purely a matter of business, a question of profit and loss. It will enter into any field where there seems to be fair prospects of success, and it will abandon any business when it becomes unprofitable. We shall allow our *public corporation*, the municipality, to compete with the business of private corporations and individuals, confident that such a healthful competition will determine the proper field for the activities of each. The future will probably show us cities and towns in which the municipality will undertake certain activities (like street railways, electric lighting plants, etc.) without interference from private corporations; other fields of economic activity (like the manufacture and sale of jewelry, expensive furniture and other articles of luxury) would be left exclusively to private initiative, because the municipality would not enter such speculative business; and an important part of industrial life (comprising, particularly, the production and distribution of the necessities of life) would

remain in which both the municipality and private interests would find ample opportunity for profit. Furthermore, competition between private and public business will give us the proper limits for each, and it would not be long before each municipality would find the various business enterprises for which it is best fitted. This method will offer us, at the same time, a test for the value of public enterprises, and a wholesome check on the greed of private business by the fear of the competition of the public corporation—the municipality.

We shall endeavor not to destroy profit but to help distribute it through the public corporation; not to monopolize industry but to raise its plane through the competition of an efficient co-operative corporation; not to make the rich poorer but to make the poor richer.

Our plan would make the city only an economic entity, distinct from any political power. The *Municipal Corporation would have no power of taxation*, for its income as a landlord would be the basis of its industrial life. (The power of taxation now vested in city government would be transferred to the state and the county together with the political powers previously mentioned.) As a result, the city could not afford to engage in unprofitable industry, for the purpose merely of crushing individual enterprise, with the prospect of recouping itself from taxation. It would be compelled to hold in view the elements of profit and loss. Representing the consumer, it would strive to engage in industrial activity that would be of prime importance to the city population. Whenever any individual or group of citizens would attempt to raise, arbitrarily, the price of the necessities of life, the wholesome competition of the municipality as a consumers' league, organized primarily for the protection of the citizens, would

be an important factor in re-establishing equilibrium in industry. The municipalities would, therefore, operate not only as valuable co-operative machines but also as emergency brakes to regulate and moderate the greed of captains of industry.

Such a concept of municipal ownership, in which the city will undertake anything and everything that may be of value to its citizens, does not demand that we patiently await the introduction of "Single Tax," or even "Municipalization of Land Values," but may gradually be introduced from day to day until the city becomes a large citizen-shareholders community.

#### 4—*Co-operation in Distribution and the Industrial Commonwealth.*

In our discussion hitherto, we have omitted any consideration of the status of the farmer as an integral part of our industrial system, although we must admit that the rural population is the backbone of our economic life. Can we assist the farmers of the nation to make agricultural life more attractive and the rewards greater and more certain?

Recent experiments have indicated the path along which farming communities must be developed in order to achieve the best results. We need not seek for complicated schemes or radical reforms. In several countries of Europe (particularly in Denmark), the farmers have developed strong co-operative associations *for the purpose of collective buying and selling*. The farmers unite in huge organizations (resembling somewhat the "Granges" of our own country) to which they forward all the cheese, butter, eggs, etc. (over and above the portion which they retain for home use). The association then acts as a selling agency, disposing of the prod-

ucts in the best markets and awarding to the farmer the sum due him in proportion to the amount of products of each—after deducting the actual expenses incurred by the association. This association, because of its large activities, is enabled to secure the services of experts to engage the most competent sales-agents and to save to its members the profits accruing from transportation on a large scale.

The same association acts, likewise, as a buying agency in purchasing costly machinery, including agricultural implements with the latest improvements—which the individual farmer would not be able to secure because of the high cost. Such machinery may then be utilized by the various members of the association on the payment of a small rental to defray the expenses actually incurred. In short, co-operative associations of farmers retain the principle of competition among their members for the purpose of encouraging each to increase his products (and thus obtain a larger share of the profits), while adopting the principle of co-operation as against the outside world, so as to eliminate cut-throat competition and insure stability and progress.

There is a logical basis which justifies the existence of these farmers' associations as economic units. Unlike co-operative manufacturing establishments, these associations do not restrict individual initiative; and they differ from communistic schemes, for the latter sanction the dangerous principle of equal reward for unequal effort and unequal productivity. A co-operative association of farmers does not place any hindrance upon individual ingenuity and individual perseverance. It merely consolidates and co-ordinates these forces into a successful co-operative scheme. While such efforts might be viewed as "socialistic,"



since they mark a distinct step in co-operation as distinguished from haphazard competition, these associations are, nevertheless, compatible with competitive industry and tend directly to preserve competition within the limits of each association. We are, therefore, justified in concluding that co-operative farming communities are utterly unlike co-operative manufacturing plants. The former encourage individual enterprise, while the latter rely for success almost exclusively upon co-operative efforts. To put the matter concretely: each farmer member of a co-operative association must know that his reward will depend almost exclusively upon his individual industry (and his own good fortune), while the worker in a co-operative factory must soon come to the conclusion that his welfare depends only in a very small degree on his own efforts and to a large degree upon the industry of his fellow-workingmen. For example, if there be one hundred factory hands, the industry and honest labor of one will count for little if the remaining ninety-nine be shiftless and unfaithful. In order to establish a highly successful manufacturing community based upon co-operation, we must first develop the unselfish spirit of co-operation to such a degree that each individual will work with the same intelligence and energy for his neighbors and comrades as for his own family. This will require such a transformation in individual character as may need decades for its completion. But we can successfully institute co-operative associations for farmers in our own day, since we can utilize not only the unselfish motives of the idealist but also the selfish promptings for individual success that seem to form the basis of business enterprise at the present time.

Such co-operative associations of farmers differ, not

only in degree but also in kind, from the numerous co-operative schemes familiar to us in commercial life—in profit sharing, trade unionist enterprises and capital-labor trusts. In the latter, co-operation extends to the field of production, while in granges the whole process of production is left to individual initiative, and co-operation extends simply to the field of *distribution* of the things produced. This system of “co-operative distribution” enables the farmer to preserve the benefits of individual initiative and the incentive for profit, while it secures for him the advantages of large scale industry in distribution—in marketing his products. When it is recalled that the great cry of the farmers to-day is that the middleman secures the profits that cause the high cost of living, and that, between the farmer and the consumer, nearly 100% is added to the price of the farmer’s commodity, we can readily ascertain the importance and value of co-operative distribution to the agricultural community.

Can we establish an institution which will protect the farmers of our country and, while advancing their interests, also safeguard the community as a whole—the *consumers of the nation*? We believe that such an association can be successfully organized and profitably managed on the principle of a huge consumers’ league. The method for the organization of such a farmers’ and consumers’ alliance is of secondary importance provided the principle be firmly established. The fundamental basis of this association would be that while *farmers affiliated with it would receive the full value for their products, at the same time, all of its members, as consumers, would receive dividends or rebates in proportion to all purchases from, and payments made to, the association.*

*Every citizen of the United States would be eligible for membership into an incorporated association to be designated as the Industrial Commonwealth—following the general plan outlined in connection with the Labor Commonwealth (Part I). Each member would be required to pay a small sum as an entrance fee (let us say, five dollars), and the association might issue bonds, bearing interest (in accordance with modern day financial usage), to enable it to undertake and conduct various economic activities.*

The first function of the Industrial Commonwealth would be to endeavor to fulfill, in the highest degree and in the best manner, the duties of a co-operative institution for the benefit and advantage of farmers. Every member of the Industrial Commonwealth, who is also a farmer, would be offered the opportunity of entering into a contract with the association wherein *the latter would bind itself to purchase from the farmer all products of his farm* (over and above that which is necessary for the personal use of the farmer and his family). These contracts would run for periods of several (let us say, four) years and would be renewable for like periods at the end of each term. A Board of Appraisers, representing the farmers and the association, would determine, at the beginning of each month, the market prices for all farmers' produce during the month, and the farmers would be required to turn over all the products to the association at prices fixed by this Board. *This would offer a secure market for farm products, while it would form the basis upon which the Industrial Commonwealth might undertake activities in commerce and manufacture.*

All the available profits of the association (over and above a necessary reserve fund) would be divided semi-

annually among the members, in proportion to the amount expended by each in payments made to the Industrial Commonwealth. Thus, one member whose record for a period of six months will show an expenditure by him of, let us say, one thousand dollars (\$1,000) for goods secured from the association (whether for rent paid to the association for the occupation of a house owned by the Industrial Commonwealth, railroad tickets purchased for travel on a railway belonging to the association, theatre tickets, clothing or groceries under the control of the Industrial Commonwealth) will receive a dividend or rebate ten times as much as another member with a record of expenditures of only one hundred dollars (\$100). The amount of purchases might be kept and the rebates determined by a simple method of trading stamps, allotted to each buyer whenever moneys are paid to the Industrial Commonwealth.

In a short time, the association would become more than a mere instrument for effective buying and selling. It could develop a valuable agricultural credit system, experiment with model farms as training schools for its members and their children, and do many other things to enhance the value of the farm. In short, we should accept for the Industrial Commonwealth the same principle of business management as that applied to Municipal Corporations: the organization may undertake any business which it deems of interest and profit to its members. Just as long as membership will be open to every citizen, we can be sure that the association will be slow to undertake any new activity unless it is almost certain to prove of great advantage to the farmers and the consumers.

Furthermore, in order to give to the Industrial Com-

monwealth some common interest which would attract a large membership, efforts should be made to secure, from the various states, leases of those state lands that are important primarily for their sub-surface value—mines, oil fields and water-power sites. The states would, of course, derive annual rents or taxes from such lands (just as the Municipal Corporation would receive rent from ownership of the land value of the town or city), so that the people of the entire state would share in the profits of state lands, while to the Industrial Commonwealth would be given the task of developing the resources of the states.

The interstate activities of the Industrial Commonwealth would be determined on the same principles applicable to Municipal Corporations. It will assume the ownership and operation of one or more railways only when these can be profitably managed. As a matter of course, it will enter the fields of fire, life and accident insurance and any other large enterprise which may be of advantage to its members—always in competition with the efforts of private individuals.

Finally, the Industrial Commonwealth will be a *free* Commonwealth. No one will be compelled to join its ranks, *for any citizen may abstain from membership in the Industrial Commonwealth.* This association will be a free society in contradistinction to any Socialist scheme that would coerce its members and apportion employment and rewards. It would not seek to monopolize industry or to “seize all the means of production,” but rather to create a public monopoly only of those industries, which, by nature and social demands, must continue to remain monopolies, while it would compete with private enterprise in many other

industries for the benefit and profit of the consumers of the nation.

It would meet the objections urged by Thoreau and Tolstoi, *for none would be forced to become affiliated with this Commonwealth*. It would not be a political organization but an economic institution, growing with the problems of the age and developing independently of political embroilments—a Commonwealth that must meet with the approval of all earnest students of social problems.

The Industrial Commonwealth would, therefore, be controlled by members, consisting exclusively of citizens, and its general purpose would be to undertake business enterprises that could be performed to better advantage by a public corporation than by private individuals. What these activities will be we cannot now determine. It is sufficient for us to adopt as our guide the principle of a *public corporation in competition with private business*, and permit our new interstate corporation to engage in any business that may be of profit or advantage to its members.

The general management of the Industrial Commonwealth would be vested in a Board of Directors of nine members, six of whom would be elected by the members of the association (three chosen every even numbered year for a period of four years) and three other members to represent the Government of the United States. The latter might consist of the Vice-President, the Secretary of Agriculture and the Secretary of Commerce. One of the essential features of the constitution of the Industrial Commonwealth would be that: every measure, to be adopted, must receive the support of a majority of the Board of Directors, *which majority must include at least two of the members representing*

*the government.* Such an arrangement would afford sufficient protection to the public interest, because of the active participation of high government officials, with the right to veto legislation—to serve as the old time tribunes of the people who might step in and annul a course of action that is detrimental to the people as a whole. The Vice-President is the proper person to act as the chairman of the Board of Directors of the Industrial Commonwealth—it would offer him a field of usefulness second only to that of the President of the United States.

Such an Industrial Commonwealth, founded on the principles of economics, and freed from political intrigue, should prove as effective in its field as the modern “trust” now is in the business world. For, in spite of all the recent clamor against the evils of corporations, we must not forget that, judged by the standard of *results*, the corporation has been an eminently successful institution. It is not the province of a corporation to exert a beneficent influence on politics, nor should it be viewed as an institution for the promotion of the public welfare. But if we accept the aims of the founders of our great corporations—namely, to secure dividends, and to protect the interests of its shareholders—we must concede that the main purposes have been achieved. Here and there we may discern the vicious workings of an inner coterie of directors, who, in their own selfish interest, defraud the stockholders; such exceptions are rare and tend only to prove the rule that large corporations have been eminently successful in obtaining profits for their shareholders. And one strong reason for such success is the unity of purpose and management. Instead of divisions of power and restrictions of control, of multiplicity of pur-

poses so manifest in our political activity, the method of management in the corporation is simplicity itself. A single Board of Directors, chosen by the stockholders, manages the entire business enterprise with an eye purely for profits. Assuming that our Industrial Commonwealth would be organized in a similar manner, we may conclude that the Board of Directors will protect and augment the interests of its shareholders—the citizens of our country.

### 5—*A Consumers' League.*

There is one general principle which is at the basis of both the Municipal Corporations and the Industrial Commonwealth. It forms the connecting link between city and national organizations for the upbuilding of a better industrial system. I refer to the principle of *co-operation in distribution for the benefit of consumers.*

The modern competitive system of industry gives us a heartless struggle for existence that entails enormous waste both of profits and human life; while Socialism offers us a system of *co-operation in production to the exclusion of individual initiative.* The latter would reduce society to the dead level of existence, dangerous to economic progress, because there is no assurance that it would produce an *economic surplus* essential to enlightened society. In short, our problem is to ascertain whether we can re-organize our industrial system so as to avoid some of the gross waste of present day competition, and, at the same time, secure a more equitable distribution of wealth without destroying the *incentive* for gain and material welfare. Can we retain the benefits of competition while substituting, for the disadvantages of unemployment and poverty, the invaluable gifts of contentment and security?

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Various attempts have been made to solve this problem by systems of profit sharing. Omitting the local and incidental causes for the failure of most of the profit sharing schemes, there is still this deeper economic and logical reason: the remedy is not co-extensive with the evil it is calculated to eliminate. For example, let us assume the existence of many successful profit sharing corporations—huge capital-labor trusts, each safeguarding the welfare of its own employees by liberal allowances for profits and high wages. There would then be a consumers' problem, due to *the high cost of living necessary to support such combinations of capital and labor*. Instead of a labor problem arising out of the condition of the wage-earners, we would have a consumers' problem because of the prohibitive prices imposed by the bakers' trust, the meat trust and the clothing trust.

If we are to be at all successful we must secure some basis for the participation of the consumers—the all-embracing class—in the profits of our industrial system. In theory, this is altogether just and proper, since, by *creating the demand*, the consumers constitute the greatest factor in economic value. In practice, the only large co-operative schemes that have proven successful are those in which the benefits are distributed in proportion to the consumption. The well-known co-operative stores in Great Britain, France and Belgium, sharing their profits in the shape of rebates (or dividends) on the amount and value of the purchases, have been far more successful than any schemes for co-operative manufacture. In the latter case, co-operation is always a difficult matter because of the manifold problems of efficiency, trade regulation and the struggle for world markets.

In fact, we may draw the general conclusion that *co-operation is successful when it is all-inclusive* in its membership, and generally fails when it attempts restriction and monopolization. As a further illustration of the truth of this conclusion, we have the successful efforts of co-operation among farmers *in the distribution* of their products—particularly worthy of notice is the co-operation in the sale of dairy products of the farmers of Denmark. The farmers share in proportion to the value of the products that each brings to the co-operative sales-agency, while they retain the rewards due to personal skill, labor and industry. We here have a successful *co-operative business in the distribution* of products, which, in its nature, is all inclusive.

Profit sharing schemes, therefore, to be permanently successful, must be all-inclusive and not confined merely to the laborers of a particular industry. It is only just and proper that the profits should bring appropriate benefits to the laborers in *all industries*, since otherwise the profits for the laborers in any particular business would depend on the success or failure of that special industry. Many laborers would suffer for the mistakes of their overseers, and others would profit inequitably because of the skill of their leaders or the demands of the public. Indeed, they might often profit unjustly through the power of their monopoly—by compelling consumers to pay high and unfair prices.

*Industrial organization from the point of view of consumers* should, therefore, be the basis of the activities of Municipal Corporations and the Industrial Commonwealth. In fact, both institutions harmonize with each other when each is viewed as an association of

consumers, and together they may be conceived as integral parts of a large Consumers' League.

To-day, we have a condition in which industrial activity is directed by the propelling force of profits, and consumers are considered only from that point of view. The organization of an "Industrial Commonwealth," the main feature of which will be consideration for those who create the *demand* for products, will introduce a new factor in industry. As in the case of the labor colonies, we shall permit this Industrial Commonwealth to compete with present-day industrialism for the purpose of uplifting the economic life of the nation. The Labor Commonwealth would establish a minimum wage below which the industrial struggle would not be permitted to sink; the Industrial Commonwealth would fix a maximum price for all products necessary to the welfare of the people. Whenever the captains of industry should attempt to extort an unreasonable profit, they would have to face the competition of Municipal Corporations and the Industrial Commonwealth.

We have no right to draw a strict line of demarcation between public and private activities, between the work that may be undertaken by the Industrial Commonwealth and by private citizens. It is sufficient for us to find a path for progress in economic life—and leave for succeeding generations the task of determining the ever-changing line between co-operative action and individual initiative. The Industrial Commonwealth would undertake those activities which might prove more *profitable through co-operative efforts than through individual initiative*. How far to develop its activities is a question purely of economic value to the consumers—a matter involving the business considera-

tion of profit and loss. For the present, it is important to have indicated the machinery—Municipal Corporations and the Industrial Commonwealth—which may be utilized for economic progress in the present and the future. The Industrial Commonwealth would not become a Socialist monopoly to the exclusion of individual initiative, but merely a collective enterprise for co-operative distribution, and for protection of consumers, *in competition with the efforts of private citizens in industrial life.*

Since the Industrial Commonwealth would have no power of taxation (like the state), it would naturally be conservative in its business activity and would undertake various enterprises only when there would be reasonable grounds for the expectation of profits. It could not afford to enter a field of activity with the fond belief that the people would be taxed to pay for deficits incurred.

In order to secure efficient management of the consumers' league of city and nation, it might be advisable to offer to the directors of each organization a small share of the profits. This is no radical suggestion but a practice with which we are familiar to-day. In every case of bankruptcy, the receiver who is appointed by the court to wind up the business and distribute the shares among the creditors is paid a certain percentage on all receipts and disbursements. Ordinarily, this is a simple function, involving little discretion, and the posts serve as tempting "plums" for friends of the Bench. But in the City of New York, during the last few years, we have had an important modification of such a theory in the commendable activity of the receivers of the Metropolitan Street Railways. The street cars were kept in a state of high efficiency, and, as "go-

ing concerns," have paid off some large debts which a band of financial pirates fastened upon the property. In other words, the *profit-sharing* receiver has been able to achieve results that our astute but unscrupulous financial magnates have never been able to surpass.

Accordingly, the members of the commission of each Municipal Corporation (exclusive of the mayor, who is to be regarded as the special representative of the people) and the members of the Board of Directors of the Industrial Commonwealth (except the three members representing the United States government, i. e., the Vice-President, the Secretary of Agriculture and the Secretary of Commerce) should receive some interest in the net profits of their respective corporations. A small per cent of the net profits of each Municipal Corporation and of the Industrial Commonwealth, if divided among the members of the Board of Directors of each corporation as a profit-sharing plan over and above a certain fixed salary, would be sufficient to encourage careful and scientific management. The government officials, representing city and nation, should receive no profit above the salaries provided for by the public. They would serve as representatives of the people—as tribunes—rather than as managers of industries, and, as such, they could check any abnormal struggle for profits that might prove detrimental to the public welfare.

The Industrial Commonwealth and Municipal Corporations will be institutions essential for the protection of consumers. The goal will not be merely money profits, but the benefit, advantage and profit of the consumers of the nation. It will undertake those activities which would be profitable to the *general* population—and this may not always imply large money

gains, but rather incidental benefits to the people. (Thus, the government Post Office has adopted the system of rural free delivery not because it offers a prospect of monetary returns, but because it makes the life of the farmer more pleasant.) Even so, the Industrial Commonwealth will be not a grasping Leviathan, bent upon profit, but rather an instrument to "provide for the common defense"—in protecting the citizen body from the exactions of trusts and corporations—and "to promote the general welfare."

Without attempting to map out a program for future social development, we may, nevertheless, conclude that the Industrial Commonwealth will become the potent factor in the solution of the "Trust Problem." Just as the Labor Commonwealth, carefully managed, will become an institution that will solve our "Labor Problem," even so will the Industrial Commonwealth become the instrument for regulating and controlling large aggregations of capital. Furthermore, instead of labor legislation on the one hand and Commerce Commissions on the other, interspersed by ineffective government investigations and expensive legal campaigns in "trust busting," we shall have two complementary institutions—the Labor Commonwealth and the Industrial Commonwealth—which will automatically regulate our economic system.

## CHAPTER XI.

### A SOCIAL PROGRAM AND A POLITICAL PLATFORM.

#### I—*Social-Political Reforms.*

To achieve the ideals of the Social Commonwealth, a few preliminary reforms are necessary, which, while they can be obtained only through political action, bear directly on economic life. These reforms are intimately connected and may be classified as the three great freedoms of life: (A) Mental freedom—or the freedom of intellectual activity; (B) Physical freedom—or the freedom of action by a healthy body; and, (C) Moral freedom—or the freedom of conduct, properly regulated by law.

##### *(A) Mental Freedom.*

The first, or mental freedom, we are rapidly achieving. Let it be understood that by such freedom of mind we do not mean simply the freedom of speech and press, but also the *opportunity* for obtaining such mental development as to make possible an intellectual life. In short, it implies an equal opportunity for education to all. Some of our Western States have already attained this ideal, where a citizen may obtain free education in the State University in every field of human thought and action. The University of Wisconsin has gone one step further, and, instead of passively awaiting the entrance of students within its halls, it is actually carrying its knowledge to the door of the farmer and the artisan by arranging for numerous lectures and courses of practical education throughout the state.

The Social Commonwealth must be accompanied by

free education in every field of knowledge, in vocational and professional training as well as in academic courses in the University. No one should be compelled to pay as an apprentice for learning the difficult problems of the lawyer, doctor and engineer. On the contrary, education in every field should be regarded only as opportunities for future usefulness, and if we are to maintain democratic institutions we should extend such opportunities so that all may partake of them on an equal basis. In short, the State University should offer courses in every field of knowledge, free of tuition fees, to all of its citizens. *Only by opening the door of intellectual activity to all Americans can we secure true mental freedom.*

(B) *Physical Freedom.*

Our states have made half-hearted attempts towards securing for the individual citizen the physical freedom indispensable to a useful life. They have established Bureaus of Health that are valuable for protecting us from contagious diseases and for teaching us the importance of sanitation. But we still suffer from the *negative* view of state activity. Nowhere do we find a comprehensive plan for developing physical stamina and health power in our population. We are very effective patchworkers, for we are efficient in stamping out a contagious disease and limiting the ravages caused by negligence and stupidity, but we have not yet learned the value of an "ounce of prevention."

Here and there we now discern the growth of a new health movement—as a reflection of our political insurgency. In several cities there is a strong "social recreation" movement, supported by those who believe that the state owes a duty to its citizens to make the whole population physically free as well as mentally inde-



pendent. The program has not yet been made definite, and one of its vague demands is that the schoolhouse be utilized not only for a few hours during the day as class rooms for children, but also as social settlements with club rooms, lecture halls and gymnasiums for parents and adults.

The state should endeavor to make the doctor as useful a *public* servant as the public school teacher. Instead of isolated Health Boards to guard us from cholera, scarlet fever and other unusual epidemics, we shall soon witness the development of a comprehensive State Health Bureau equal, in importance, to the State University. *Both will be absolutely free to all citizens.* None will be compelled to pay for medicines and textbooks, or for educational lectures and prescriptions of physicians. In short, the doctor will be made the adjunct to the State Health Board. A simple regulation would convert our modern system, in which sickness and disease constitute the chief asset of physicians, into a sane method for public health. The state should issue licenses for the practice of medicine only to those who agree to devote part of their time as "public" doctors, when called upon by the State Board of Health. The state might arrange for the payment of from one thousand to three thousand dollars per annum, in accordance with the length of service, to physicians and dentists *who would be required to devote four hours each day in the free hospitals managed by the State Board of Health.* Such hospitals, dispensaries and gymnasiums would, in that case, be regarded not as charity, but as part and parcel of the Health Department of the State, even as the schools and colleges would be essential parts of the State University.

The state can offer no valid objection to those

desiring private medical attendance over and above that which is provided by the Health Department. The rich now enjoy the luxury of private schools and well paid tutors, and we ought not to deprive them of the privilege of paying fancy prices for the attendance of private physicians. Yet, inasmuch as we are now rapidly making education free and universal, so *our next step should be to make good health accessible to every citizen by throwing wide open the doors of gymnasiums and hospitals, and placing the whole population under the care of physicians, dentists and physical trainers to be paid by the state.*

(C) *Moral Freedom.*

Finally, the necessary complement to mental and physical freedom is moral freedom—the liberty of conduct under just laws. To-day, our morality is undermined by the spectacle of justice purchased—not in the market place, but in the offices of well-paid lawyers. We are not making any charges against the honored profession that has given to the world so many leaders of thought and action. Too many lawyers have become Presidents, Governors, famous Judges and Legislators to justify indiscriminate condemnation of the profession. We should level our criticism rather at a system of legal procedure that makes us *pay* for justice.

In the early days of legal development the judges received payment from the contestants, so that the vanquished party bore a heavy burden in receiving justice. In criminal proceedings, the judges were paid by fines imposed on the wrongdoers, and, in order to secure reasonable compensation, it was incumbent on the judge to discover sufficient wrongdoers.

To-day, we have advanced to the point where the judge and his clerks are the paid servants of the state,

but the lawyer (who, in the view of the law, is an officer of the court) still remains the hireling of private interests. By a legal fiction, the lawyer owes his first duty to the state and its courts, of which he is an important official, but in actual practice he *must* feel a far more serious obligation towards those who pay his fees and advance his material interests. It is high time that we make of the lawyer an official of the state, in fact as well as in theory, and that the "counselor" should become more than a mere adviser of private clients, that he should develop into an *actual* assistant to the presiding justice.

This would be in harmony with the progress of legal history for many generations. Centuries ago, the Teuton and the Anglo-Saxon had no concept of criminal law, and any wrong done to an individual, even though it were murder, was not a matter of public concern, but a mere private wrong to be avenged by the friends of the injured party. (The feuds of Kentucky and the vendetta of Italy and Corsica are examples of criminal law privately managed and effectually applied.) To-day, we have extended our criminal law so that it includes many acts that are wrongs against individuals, like forgery, theft and criminal assault, but they are of such importance that they affect the public welfare. We, therefore, classify them as crimes, to be sharply distinguished from ordinary civil suits, that embrace merely wrongs against individuals and disputes between citizens over property rights. With the progress of civilization, the number of crimes increase—so that it is sometimes said that civilization makes new crimes—until every important wrong against an individual becomes a wrong against society, or a crime. We would take an important step in moral progress, if

the state were to interfere on behalf of its citizens in civil as well as criminal cases.

We should abolish the private fees of trial lawyers, even as we have outgrown the practice of former times, when the Court appropriated the fines imposed on criminals.

The reader may contend that a lawyer without fees is impossible and unthinkable. To refute such a charge, it is necessary only to call to mind the numerous cases in which lawyers are assigned to defend men charged with crimes, for which service the attorneys receive little, if any, compensation. Furthermore, we have a state Attorney-General and his assistants, and the District Attorneys in the various counties, who represent the people *against* criminals. These prosecutors and their assistants are the paid servants of the state. Since they receive their salaries from the public treasury, there can be no objection if they were to undertake not only the cases of the people against criminals but also the claims of *each individual* citizen in his disputes with his fellowmen. In short, the District Attorney should be converted into a *Plaintiff Attorney*, before whom any resident of that particular county, having a grievance against some other citizen, might apply for the institution of a suit at law. Of course, the staff of each District Attorney would have to be vastly increased to manage the numerous duties of the civil law, but this would not require any radical changes in the management of the force. (The District Attorney of New York County to-day has more difficult tasks and more actual court trials than all the law cases, civil and criminal, in the vast majority of counties throughout the Union.)

As the District Attorney would be the general attor-

ney for Plaintiffs, even so we might have *one Defendant Attorney*, who might be appointed by the highest court in each judicial district into which the state is divided. The Defendant Attorney would maintain an office with assistants, analogous to the office of the District Attorney. The latter would be an official elected by the people, and the Defendant Attorney might be an officer appointed by the Court for the protection of persons sued.\* Of course, the staff of attorneys that would be employed in public service would be greatly enlarged, but the field is so crowded to-day that good talent can easily be procured, by civil service regulations, for reasonable compensation.

In the legal procedure of England, a valuable distinction is made between barristers and solicitors. The former are the actual trial attorneys, who appear in court and conduct litigation, while the latter attend to conveyances and offer legal advice. It is important for us to preserve this distinction. We have no right to restrict any citizen—lawyer, engineer or business manager—from offering advice and receiving compensation for suggestions of law or business. No restrictions should be placed upon the practice of private lawyers, not employed by the state, except in the actual trial of cases in court. For the latter work—the task of the barrister—we must have public servants, responsible to the people and their courts.

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\* The State of New York is divided into four judicial departments with an Appellate Division of the Supreme Court as the Appellate Court for each department. The Legislature might authorize the Appellate Division in each department to appoint, for a term of four years, a Defendant Attorney in each judicial district. In other states, similar judicial districts, divisions or departments would serve as the basis for the choice of one general Defendant Attorney to protect the citizens from suits brought by the District Attorney.

In matters of advice to clients, the private lawyer can practice even as the private doctor or teacher. *But in order to preserve the atmosphere of impartiality in our trial courts (often lacking to-day), it seems to us essential that only public lawyers be permitted to engage in trial work. Instead of legal aid societies that operate as charitable organizations, we would have public officials charged with the duty of protecting all citizens from wrongs, whether civil or criminal. This will give us moral freedom fortified by unpurchaseable justice.*

This is not the place for an extended discussion of the suggestions now offered. We may conclude, however, that freedom in the domains of intellect, health and morals are the necessary concomitants of the Social Commonwealth.

## 2—*Social Insurgency.*

The progressives, whether they be Insurgent Republicans, radical Democrats or members of third parties, are preparing the ground for the planting of a Social Commonwealth on American soil. They are the entering wedge for the introduction of a better and nobler social system. They have faced, unflinchingly, the problem of State Interference and have answered boldly that the city, state and nation have the right, and owe the duty, of undertaking any enterprise which can be profitably performed by the public service, consistent with constitutional limitations, *irrespective of the theoretical considerations of Laissez-faire and Socialism.* If any service can be rendered more efficiently by the city and the state than by private enterprise, then, they tell us, it is incumbent on the city and state to engage in such activity within the limits prescribed by the organic law.

Perhaps the most serious difficulty is the lack of agreement among progressives as to the specific remedies to be applied. All agree that if we are to secure and maintain industrial liberty we must make our economic system subject to the sovereign power of the state. We dare not permit the upbuilding of independent capitalistic kingdoms within the state and nation. The steel kings, the oil princes and the sugar barons will not be undisturbed in a domain that will constitute "a state within the political state." Forward-looking men have concluded that all private enterprise, however beneficent be the financial magnates who control it, must be subject to the sovereign power of the state and nation.

But how should that sovereign power be practically applied? The new Progressive Party answers—Regulation. Do not exterminate trusts, do not prosecute large business merely because it is large, but regulate all business for the protection of all the people. Such a program requires the appointment of commissions for investigation and regulation, analogous to the Interstate Commerce Commission for the supervision of interstate railroads. Carried to its logical extent, it would mean the fixing, *by law*, of minimum wage scales in the various industries and maximum prices for the products.

This program is opposed by those radicals within the Democratic Party who hope to bring about better industrial conditions by the time honored methods of destroying monopoly. They hold to the view that a private monopoly is indefensible, no matter how regulated or controlled. They believe, generally, that we have reached the condition of diminishing returns in our efforts at concentration and large scale production.

They tell us that we have multiplied large plants until competition is supplanted by monopoly because "it does not pay" to compete. Accordingly, their program includes a ceaseless war on private monopoly to the end that true competitive conditions may be restored. They believe with the Old Economists that under a system of free and untrammelled competition wages, prices and fair conditions will be secured automatically.

Both camps of progressives, therefore, believe in the sovereignty of the people as expressed through their political power, the government. But while Insurgent Republicans and the Progressives, as a political party, believe in *active* government regulation and control of our industrial system, the radical Democrats advocate, first, the enforcement of anti-trust laws and the restoration of competitive conditions, and then a moderate regulation of industry, far removed from extensive state interference that is so distasteful to the followers of Jefferson and Jackson.

We are not concerned with a careful analysis as to which of these progressive views is the correct one. Both strive for a condition of industrial liberty. It may be that both are viewing economic conditions from a different angle, and the true solution will involve an acceptance of the essence of both programs. The Progressives and Insurgent Republicans are right in their contention that the sovereign power of the state must provide against conditions that would make life unworthy of a free citizen of a great republic. But active government interference, to mitigate the hardships of the ruthless competition in industry and labor, must have a logical basis.

Instead of inharmonious laws and ordinances, we should create an institution for the abolition of poverty



—we must establish the *Labor Commonwealth that will fix a minimum below which the struggle for existence will not be permitted to fall*. Having secured such a minimum standard, however, it is incumbent on us to evolve the Industrial Commonwealth which will operate to uplift our whole social system. This must be an organization not directly affiliated with politics—if we are to have a *free* industrial society. If such an institution is to remain efficient and serviceable, it must be a free agent that will face the competition of private enterprise and individual initiative. Endorsing the formula of radical Democrats that a private monopoly is indefensible, the Industrial Commonwealth will undertake the control of those industries that are monopolies by nature and by social demands. But in all the diverse activities of modern industrialism it will enter on the true basis of competition. By its activities it will, *automatically*, force a regulation of the modern competitive system. Our Industrial Commonwealth will be ever watchful of the interests of consumers in city, state and nation. By its healthful competition to raise the plane of industry, it will render unnecessary an extensive use of state interference by government commissions and restrictive legislation.

In short, the Labor Commonwealth and the Industrial Commonwealth will constitute the *Social Commonwealth of America*. It will set a minimum wage for labor, and automatically fix a maximum price for commodities, which will “reduce the cost of living.”

Our industrial life is confronted with momentous changes. Progressives advocate minimum wage standards, social insurance, workingmen’s compensation acts, etc. For every old evil they present a new and distinct

remedy. The just criticism that may be leveled against the new Progressive Party is that, while it is animated by a worthy desire for improving conditions of the masses of our countrymen, *it presents no consistent program*. It is high time that we fashion some instrument to unite these diverse reforms into a reasonable program for the achievement of social justice. Life is more than a series of sensations and ideas, and industrial activity is more than a hodge-podge of good business and bad business. We should not be satisfied by patchwork reforms and ill-considered remedies. To correlate the numerous plans for reform that have been suggested is the most important work before the leaders of that party. The Social Commonwealth, organized for the protection of the wage-earner and consumer, would establish, automatically, a minimum wage and maximum price, and would serve as the connecting link between the aspirations of the Progressives and the achievements of valuable concrete results.

The radical Democrats are solicitous for a state of free and unhampered competition. The Social Commonwealth will set a *fair standard* of competition that will safeguard our economic system. The Insurgent Republicans believe in "progress with sanity." Our program fills the bill. Uniting the progressives of all parties under its banner, it will wage an effective war against the safe, sane, conservative "standpatters" who are ever ready to block progress. It will compel them to "step lively" in the path leading to industrial liberty.

Our program might be called *Evolutionary Socialism*, or may be designated by that other vague symbol, *Experimental Socialism*, and, with one important modification, we may accept these terms as descriptive of our Commonwealth. That one modification, however, is the

cardinal difference between Socialism and the Social Commonwealth. The ideal of Socialism is complete ownership of all social productive agents and absolute co-operation in production. All the acts and projects of Socialist leaders have this end as the ultimate object to be secured. But they fail to see that there are many activities (as agriculture and manufacture) in which monopolization is not essential for success and the maximum of profit. We, therefore, lay down the general principle that *the activities of our Social Commonwealth should be not to the exclusion of, but in competition with, individual initiative*. The operations of the Industrial Commonwealth might give us a public monopoly in a particular industry, but it will then be a monopoly of the *survival of the fittest*. Furthermore, the *profits* of such a monopoly will not be the private funds of clever manipulators, but will be shared by all consumers. On the other hand, if competition persists in spite of the activities of our Industrial Commonwealth, we shall not attempt to crush it, in Socialist fashion, but permit it equality of opportunity in growing by the side of our public efforts as long as it can sustain itself.

*Socialism offers us a coercive society in politics and economics, since the government or the state would be in supreme control of political and industrial life; philosophic anarchism holds out the prospect of a free society in politics and economics, constructed on a system of voluntary co-operation, lacking the cohesive power of leadership and obedience. The Social Commonwealth combines the valuable elements in both of these programs. Reserving the coercive power of the state, when absolutely indispensable for the preservation of life and fair play, it depends on the growth of a*

*large voluntary association for the economic freedom of the people.*

### 3—*A True Commonwealth.*

The reader will have searched in vain in the foregoing discussion of the Social Commonwealth for some panacea for all social problems, a cure-all for social ills. The endeavor has been, rather, to present the *path* that effective reform must take. Our program will begin with the municipalization of land values and the municipal management of public utilities and the organization of an effective co-operative selling agency for the products of farmers. The Municipal Corporations and the Industrial Commonwealth will gradually undertake activities for supplying pressing social needs (the milk supply, bakeries, etc.); and, in competition with individual initiative, they will operate to raise the plane of industrial life. We place no limit to the field of work which the future may offer. *We shall experiment*, and each period will be its own judge of the proper limits for the activities of these public corporations. In short, instead of a temporary expedient to alleviate suffering or remove present-day ills, we have brought forth an *institution*, capable of responding to the needs of each age. We are finding a new *pathway of progress*, and the Social Commonwealth is a method for evolving *industrial democracy* as fast as the world is ready to receive it.

During the last decade, we have noticed the marvelous growth of the spirit of revolt against industrial despotism and the invidious alliance between frenzied finance and corrupt politics. The leaders in this revolution were called insurgents, and, in the beginning, they were regarded as a minority faction of the Repub-

lican Party. But to the dismay of the "standpatters," this disease of unrest spread rapidly to the Democratic Party, until Governors, Senators and party leaders of both the old political organizations were competing with each other in proclaiming the heresies of social reform. Since the movement has become popular, the word "progressive" has been substituted for "insurgent." To such progressives (be they Insurgent Republicans, radical Democrats or members of third parties) our appeal must be presented. Hitherto, progressives have been the faction of destruction, rendering valuable service in striking down old abuses. The work was, and still is, important and necessary, but it consisted largely of *political* efforts in remedying grave social ills.

The time for constructive work has now come, and the results cannot be achieved by political restrictions and minute legislative regulations, for such methods are useful in eliminating old wrongs but not in rearing new social rights. For the work of social readjustment we must employ the methods of economics. As every firm structure must rest on a solid foundation which can be secured only by excavation, even so must the Social Commonwealth rest on the strong basis of political morality secured by the elimination of special privilege. The insurgents and progressives have created the transition period in American History of the Twentieth Century—a change from a commercialized Republic, with an eye for the "main chance" in money making, to a Democracy of economic and political liberty. Whatever be the shortcomings of the leaders of the progressive and insurgent movement, there is no doubt that these men and their sturdy followers deserve credit for introducing a new period in American his-

tory. Bryan, the preacher of insurgent faith; Roosevelt, the statesman of progressive politics; La Follette, the expositor of insurgent principles; and Woodrow Wilson, the scholar of progressive reforms—these are the great figures in the opening of the Social Era of American History.

The social program of our political insurgents and progressives has not yet been formulated. But we now have the material that may be of large value in shaping such a political platform, incorporating a comprehensive social program. In Western Europe, where the Socialist party is the usual medium for liberal ideas, our program would appeal to the Evolutionary Socialism of France and Germany. In England, the virile Labor Party would find this social program in harmony with the best hopes of its leaders. In America, however, where attempts at social reform have been least successful for many years, our plans would have the best opportunity for practical realization. For the Social Commonwealth would appeal not to any single political party but to Progressives, radical Democrats and Insurgent Republicans. The acceptance of our ideal by any of these factions would force its endorsement by all important political parties. By obtaining the support of progressives of all parties we would secure results, *indirectly*, far more significant than the victories of any new political organization.

The Industrial Commonwealth can do a mighty work. With a view of constantly benefiting its members, it can—and if our government is to remain free from the taint of plutocracy, it must—automatically regulate the private corporations fostered by financial magnates, while the Labor Commonwealth will place a limit below which the competitive struggle will not be toler-

ated. *The Social Commonwealth will then prove to be a valuable co-operative institution, fostered by the people and their political agents, as a necessary and salutary limitation on competition and as the bulwark of industrial democracy.*

We, Americans, are to-day face to face with an old danger—Class Rule. It is the perilous rock upon which many a ship of state has been wrecked. In the olden days, Athens was great and powerful; Athens was noble and beautiful. She has been at all times the pride of the political philosopher. Yet the entire Athenian political and industrial system rested on slavery. The wonderful development of the minority of her inhabitants was made possible by the enslavement of the majority. While Plato and his pupils were strolling through the beautiful gardens of the Academy, discussing philosophy, while the Athenian citizens filled the jury seats and the legislative halls, while her orators and her statesmen, her poets and her historians, her artists and her philosophers were creating works that have made their names immortal, at that very time the great mass of the inhabitants of Athens were toiling in the fields or drudging in the shops, practically deprived of political rights and educational advantages—dragging out a weary and monotonous existence, which was illumined neither by the science, nor the philosophy, nor the poetry that have made the name of Athens a synonym for culture. Enlightenment, like a parasite, thrived on the sap of the tree of slavery.

Rome, in her early life, was the "Queen City" of many conquered peoples; and, later in her history, when the rights of citizenship were extended, the whole fabric of her political system rested on slavery. Whether it was ancient Greece or Rome, Feudal Europe or the

brilliant but despotic France of Louis XIV., each one of these states rested with all its immense weight on the poor peasantry that supported it. Such governments were rather powerful squeezing machines, used by the ruling classes to press out the very life-blood of their subjects. And the history of these nations has made it plain that an institution which depends for its existence upon the development and enlightenment of one class of men at the expense of the degradation and oppression of their fellow-brethren is essentially immoral, and, as such, cannot be permanent.

No part of a community can be degraded without lowering the standard of the whole community. Only together can we rise from the depths of barbarism to the glorious heights of enlightenment. If our institutions are to endure, not any particular class but the whole mass of our countrymen must climb every upward step of civilization.

The fathers who laid the foundations, and their sons who built the superstructure, of the American Republic held ever in view the elevation of the whole mass of our people. Under Lincoln, our Republic sacrificed almost one million of her noblest sons, so that four million negro slaves might be freemen. To-day, we are in the midst of another struggle for freedom—a struggle not less important because it is conducted without the clash of arms. Our generation will decide this contest not by the battles of patriot soldiers, but by the ballots of true-hearted citizens of our Democracy. And the question at issue to-day is not the slavery of the negro, but the slavery of white and black, of the workman and the farmer, of the wage-earner and small producer, who are forced to pay tribute to *their* taskmasters—the trusts, capitalistic combinations, and the



minions of special privilege, often guaranteed in their rights and protected in their "vested interests" by the laws of dead generations.

America has reached the critical point in her history. We are at the parting of the ways. On the one hand is the road of Class Rule and Plutocracy; it is the path leading to the goal that so many nations have reached—nations that are no more. The other is the path leading to the yet untrodden regions of pure Democracy. If we have no fear to proceed therein, we shall not stumble on the way, for the great Americans of the past will serve as so many stars to give us light and to indicate the direction of our journey.

Those of us who believe in a divine purpose surely must say: the will of God is to uplift, to enlighten, to ennoble all his children, since He loves them all. And in so far as we endeavor to execute the will of the Lord, we dare not permit any class to dominate the great mass of our countrymen. Deriving our inspirations from the glorious past, we may look forward to that future day, when, instead of classes and masses, of the rich and the poor, we shall have one happy people, free in their industrial life as well as in their political life. And if we courageously guide our ship of state safely past the hazardous rocks of Class Rule and Plutocracy, we may look forward with confidence to the day when we shall reach the long sought port of pure Democracy.













